# Nation's Business

A USEFUL LOOK AHEAD

OCTOBER 1960


## BUSINESS OUTLOOK: 1961

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Take credit for hidden pay PAGE 78

**Keys to success:** A new series PAGE 40

How to sell today PAGE 42

Three steps to profits abroad PAGE 108

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# Nation's Business

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Washington, D.C.

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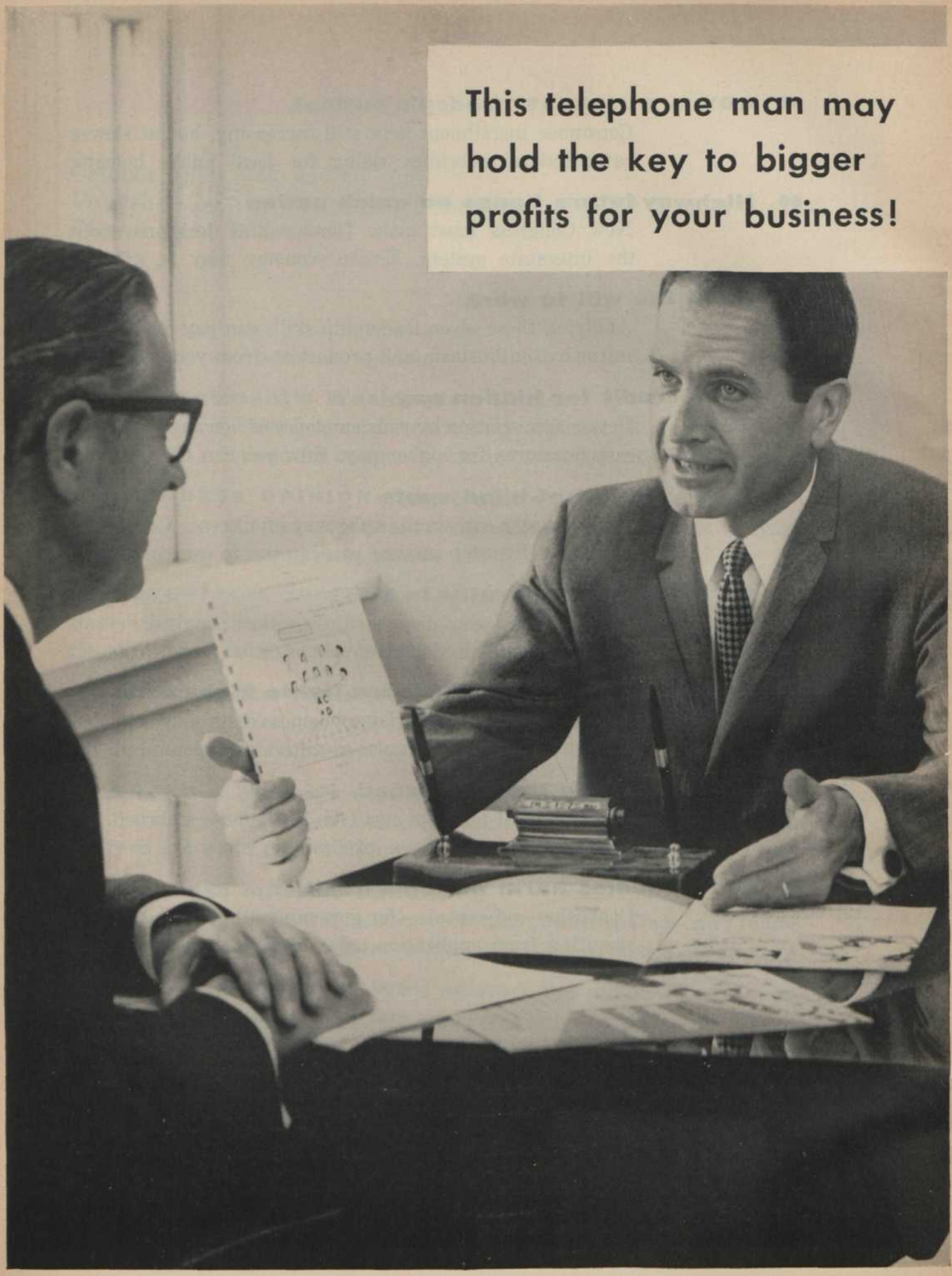
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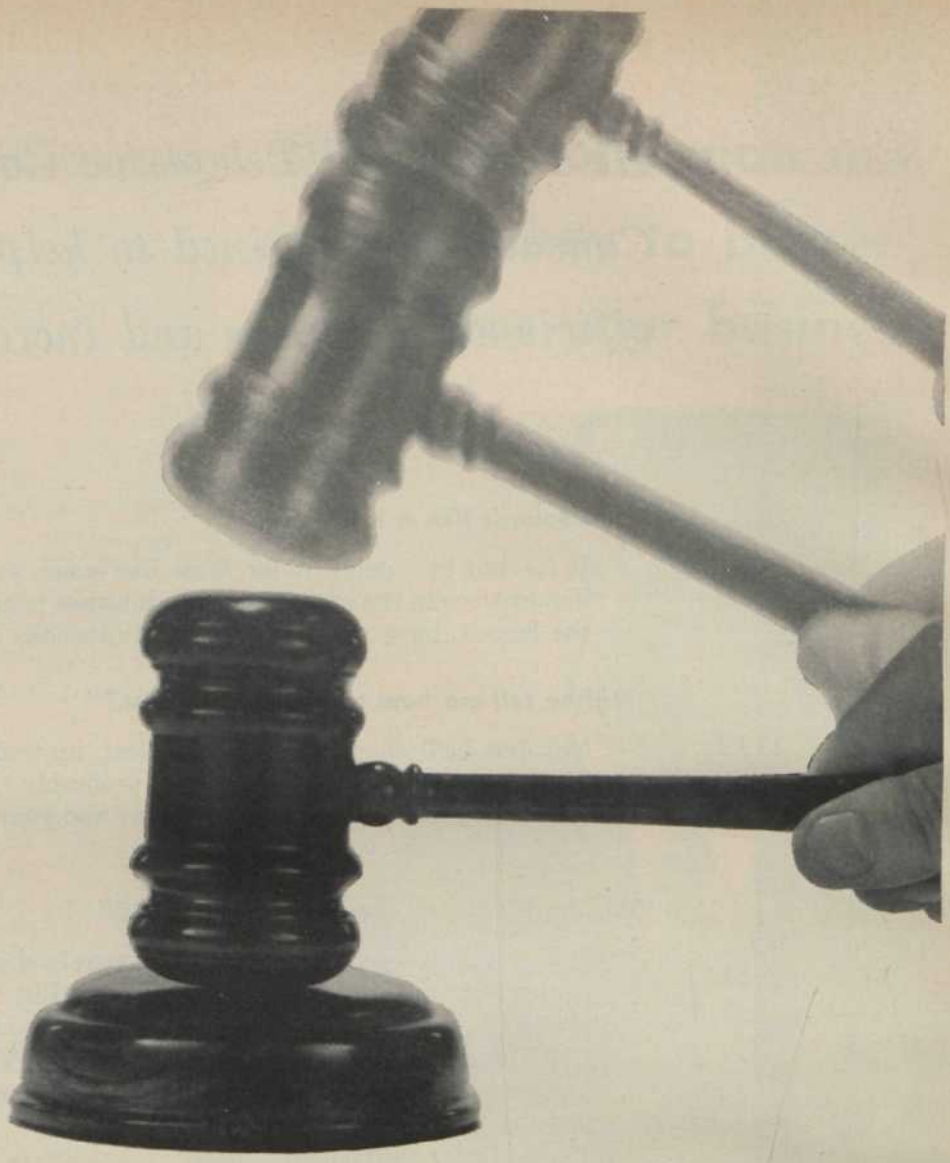
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# Many a going business has gone "under the hammer"

*soon after one of its partners died!*

**Without a proper plan and special funds, the surviving partners and the heirs may lose heavily. Business Insurance from New York Life can help prevent such a loss!**

Every member of a business partnership ought to know these facts by heart:

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# *management's* WASHINGTON LETTER

▶UPTURN COMING.

That's short-range outlook, prospect for remaining months of 1960.

It could be an upturn of surprising dimensions.

Surprising?

Yes--in view of recession talk that's making the rounds these days.

▶HERE'S WHAT TO EXPECT:

Consumers--with most cash ever, good credit ratings, personal savings--will step up their purchases.

Next three months should see total of at least $60 billion retail sales.

That would be an average of estimated $150 million a week more than Christmas rush of past year.

▶RUSH TO BUY--if it comes as expected----will mean biggest Christmas volume.

It's anticipated that retail volume will exceed final three months of past year by about $2 billion.

But remember that past year's final quarter was distorted by effects of the steel strike.

This year's final quarter for retail sales will exceed two years ago by an estimated $4.5 billion.

▶EXPECTED SALES RISE has this economic importance:

It's a reversal from disappointing summer volume and could pave the way for new business confidence concerning first half of 1961.

Early part of '61 is called nervous period for business.

That's when a growing number of top economists fear a slump will occur.

Revival of confidence could avert business drop.

One economic forecaster in Washington calls situation rolling prosperity.

His term describes situation wherein total output of goods and services does not rise significantly--but also does not fall.

Hope is that rolling prosperity won't change to rolling readjustment.

In any case--whether early '61 will see a creeping rise, economic plateau, or rolling readjustment--there's agreement among many important forecasters that final half of '61 will see a new rise in economic activity.

▶YOU CAN COUNT ON HEARING more and more gloom talk in weeks ahead.

It's widely accepted now that '60 will top all previous years.

What worries a growing number of businessmen and forecasters is what will happen after Christmas.

Recession that formerly was predicted by some for this year now has been moved ahead to next year.

But not everyone thinks a business dip is sure to come.

Heads of some of America's leading companies are optimistic about prospects for year ahead.

That's word from behind closed doors of meetings of U. S. company presidents at Hamilton, N. Y.

Look at "Executive Trends" on page 106 for details presidents discussed.

Look, too, on page 37 for authoritative report by noted economist Marcus Nadler.

▶BUSINESS WHEELS are not spinning on inflation. That's key feature of current business situation.

Look at consumer price index.

Index is edging up, not bulging.

It's up six index points in three years--average of two points a year.

Contrast that with first three years of the past decade.

Index then zoomed nearly 12 per cent --annual average increase about twice as fast as now.

▶LOOK AT WHOLESALE prices.

They're actually lower today than 12 months ago.

Contrast current trends with those of early years of past decade.

Prices then rose more in one year than total increase for past three years.

▶HERE'S HOW INFLATION devours real economic growth:

Total disposable personal income--money people have to spend or save--is now roughly $150 billion a year higher than '50.

But inflation has washed purchasing power of more than $50 billion of it down the drain.

▶TOTAL INCOME TODAY--after personal taxes are paid--averages approximately

$1,975 for each man, woman, child in the nation.

Expected soon--before year is out--to average about $2,000.

Figure in '50 was $1,369.

Adjust figures for price change and you'll find that more than half the gain has been lost through inflation.

▶YEARS AHEAD will see ever increasing business competition.

How to keep sales climbing will be a principal problem for U. S. industry.

For guidance in sales planning, the editors of NATION'S BUSINESS have prepared a new book.

It's called:

"Management's Guide to Selling in the '60s."

Sample topics:

Here's look at tomorrow's consumer.

You can gauge customers' wants.

How to price products for profits.

Get ready for the luxury boom.

How to build a winning sales team.

Key to more dynamic selling.

You can get a copy for $1. Write to NATION'S BUSINESS, Suite 306, at 1615 H Street, N. W., Washington 6, D. C.

▶NEXT CAR YOU BUY will cost you more.

That's prospect despite fact that prices of new models are forecast to remain about the same.

Here's why:

Used-car prices are slipping, may go down as much as 15 per cent.

That means:

What you pay in addition to your old car will be more.

▶IMPACT OF COMPACT CARS on gasoline taxes is subject of concern in the U. S. Treasury.

Study's being conducted to find out long-range changes that might come in tax collections as result of economy autos.

Trend that sparks study is this:

About 22 per cent of this year's total car production will be compacts.

Next year's expected compact volume:

About 35 per cent of total.

▶AUTO INDUSTRY is gearing up to boost volume in '61.

Expected sales this year:

Approximately six million U. S.-made cars (plus about 500,000 imports).

Production spurt to get under way soon could put '61 sales above '60.

"That's realistic assumption," industry spokesman tells NATION'S BUSINESS.

It's realistic, too, he points out, to assume that auto profits will be lower in year ahead because of higher volume expected for lower-priced economy cars.

▶SOME U. S. FOREIGN TRADE officials think traditional American drive to sell has gone stale.

Why do they think so?

Question comes up because thousands of business inquiries directed to U. S. companies from abroad go unacknowledged each year.

Some American firms are alive to new business opportunities in foreign countries, but the number who seem uninterested shocks U. S. foreign trade officials.

Where can a firm interested in doing business abroad get information needed to get started?

Government and private sources of information are available.

Principal sources are listed in "Three Steps to Profits Abroad," on page 108.

▶RIDDLE: What costs $52 billion a year, involves roughly a fifth of the average firm's payroll, keeps growing each year, yet few Americans are aware of its impact?

Answer:

Payment for time not worked, other nonwage benefits paid to U. S. workers by their employers.

About a fifth of the average payroll is made up of fringe benefits such as pensions, insurance, vacation pay, paid holidays, and so on.

These costs are growing faster than other wage costs.

Yet few firms are doing an effective job of telling their employes about these benefits.

Here are two suggestions you'll find useful:

How to get your story across to your employes is told on page 78--"Take Credit for Hidden Pay."

National Chamber has new 36-page fringe benefits survey of 1,064 firms.

It's available for $1 a copy.
Write to Economic Research Dep't.

▶ESCALATOR CLAUSES in union contracts are going out of fashion.

Such contract provisions tie wages to changes in consumer price index.

But they lose appeal to union leaders and workers when living costs remain relatively stable, as in recent months.

Another factor behind new trend is pressure from employers to drop the escalators because they contribute to inflationary spirals.

Here's what is happening now:

Steel industry has put severe limitations on escalator provisions.

So has aluminum industry.

Railroads, in recent wage settlements, dropped cost-of-living provisions.

In current wage negotiations electrical industry has also dropped escalator provision in settlement offers to various unions.

Trucking industry, with contracts expiring next January, will try to eliminate or modify cost-of-living agreements.

In auto industry some companies want to shift away from escalator provisions when new agreements are signed in '61.

United Auto Workers President Walter Reuther can be counted on to resist any such changes.

But managements in various industries are determined to relieve this pressure for inflation and expect most union leaders to agree.

About 3.3 million workers have their wages tied to cost of living now.

Number will be reduced as new agreements are reached during months ahead.

▶KNOTTY--and interesting--problems will come up soon in relation to space.

Among these will be rights of private enterprise to engage in commercial ventures in space exploration.

Questions:

Can a private firm fire its own rocket for commercial purposes--or operate a launching service for other private interests?

Will a private company be able to rent space on a government-owned orbiting satellite?

What are specific commercial opportunities which space exploration offers?

To get authoritative views on these and other vital questions about space, NATION'S BUSINESS went to U. S. space chief T. Keith Glennan.

Answers on page 44.

▶PERSONAL SUGGESTION:

Do your Christmas shopping early.

Late shoppers are likely to find many stores short on some items.

That's indicated by analysis of the current inventory situation.

Businessmen, economist points out, are holding inventory investment low relative to sales and are counting on quick deliveries.

Current sales rate would use up retail inventories in approximately 41 days.

Average inventory in 1957 would have been sold off in about 44 days.

Sales rate in 1953 would have used up stocks on hand in about 48 days.

Note: Holding smaller inventories relative to sales rate is continuation of long-term trend made possible by stepped up capacity to produce and deliver goods quickly.

▶COMING: Another government insurance dividend.

Next one, planned for 1961, will total about $256 million.

Payments will go to 5½ million policyholders.

Government also expects to pay out an estimated $467 million for death and disability.

Note: For every death and disability dollar, living veterans will receive 55 cents in dividends.

▶WATCH FOR TROUBLE in Europe.

New crisis there could come before first snowfall.

Government's professional intelligence staff is concerned about a new buildup of Red forces in Berlin, wonder what Khrushchev has up his sleeve.

Fear is that Reds are planning to stir up trouble in Germany while U. S. is busy with politics.

Meanwhile, communists continue moving arms into Cuba, plan to expand activities in other Latin countries as well as Africa.




# Combine all billing and shipping forms into one!

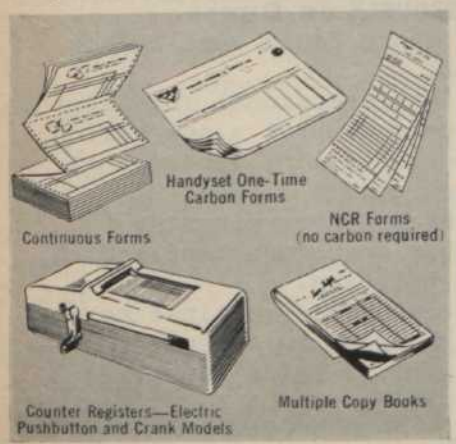
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## Business opinion:

# Small business president tells tax trouble sequel

THANKS FOR the fine job you did for small business and our company in particular in publishing my letter to Congressman George P. Miller [July]. The letter has brought a tremendous response and many offers of help.

It is difficult to ascertain whether my trips to Washington have been of any value. U. S. Customs is revaluating our old, tattered invoices at the highest duty and value allowable and much higher than we originally anticipated. We can appear in court on appeal.

I finally met with the Assistant U. S. Attorney in San Francisco. He asked for more information and proof which I am gathering for him now. He will predicate any further action based on this additional data. However, he will not commit himself one way or another.

BETTY J. REMER
President
Hearever Co., Inc.
Castro Valley, Calif.

▶ *In a letter to California's Democratic Representative Miller, Mrs. Remer told of her struggle to get favorable action on U. S. excise tax and customs claims against her small company.*

### Cost of medical care

One of the matters about which public understanding is poor is the cost of medical care. Unfortunately, NATION'S BUSINESS has contributed to the confusion.

Your August issue states: "Cost of medical care pushes consumer price index up at zooming rate." I must confess I don't know what is a "zooming" rate but I presume it relates somehow to a rate of increase much faster than that for all consumer goods and services. Even if this were so, the fact is that the rise in the cost of medical care has had little influence on the rises in the consumer price index.

The relative importance of the medical care portion of the CPI, as of December 1958, was 5.4 per cent with housing and food weighted the highest at 32.7 per cent and 28.7 per cent, respectively. Based on these weights, it would require an increase of 18.5 per cent in medical care prices to raise the CPI one per cent. In contrast, a rise of one per cent in the CPI would result from an advance of only 3.1 per cent in the housing component.

Since 1939 medical care costs have had a relative influence of only 3.2 per cent on the total rise in the CPI, compared with 55.5 per cent for food and 16.4 per cent for housing. Even when the period 1949 to 1959 is examined—a period when service prices rose more rapidly than commodity prices—medical care prices influenced the rise in the CPI by only 8.5 per cent, compared with 32.6 per cent for housing and 29.9 per cent for food. For these reasons, it is difficult for me to understand how medical care prices have pushed the CPI up at a "zooming rate."

The article also purports to report the facts by stating "Government's medical cost index is nearly six per cent higher than it was 12 months ago."

The fact is that the medical care price index moved from 149.6 in April 1959 to 155.5 in April 1960. The index, therefore, would be higher by 3.9 per cent, not six per cent as reported. Apparently the writer is ignorant of the difference between points of the index number and percentages.

In the following line, our calculations indicate that the CPI is up 1.9 per cent in the past 12 months (April 1959 to April 1960) and not 2.3 per cent.

When the change in medical care prices is computed from 1955 to April 1960, the increase is 21.5 per cent and for all items the increase is 10.2 per cent. It is statistically hazardous to compute a change in price from one time period to another when the periods are not comparable. For instance, the writer of the article used the annual averages for 1955 and the monthly averages for April 1960, subtracted to obtain his results, and erroneously called them percentages.

In the next paragraph, it is stated that in the past 10 years medical care costs have gone up 50 per cent when, in fact, between 1949 and 1959 they rose less than 45 per cent. Selection of 1949 for comparison biases all service price changes

*"You can save more than half at our newest low rates; and perhaps even more on heavier weights"*

*—says the Railway Express Eager Beaver*



**New low rates** apply on a large number of commodities—and savings are substantial, up to 60% in some instances. And there's no extra charge for door-to-door delivery within published limits. Keep this in mind when you're shipping or receiving. Call your local Railway Expressman today for details of our Eager-Beaver Service! (You get Eager-Beaver Service when you ship Air Express, too!)

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# So the boss turned the other cheek

## (and promptly got it kissed, too)

THE KISS ON HIS LEFT CHEEK? That came for buying her Nu-Kote carbon paper—the original plastic-base carbon that gives letter perfect work, produces smudge-resistant copies, outlasts other carbons 3 to 1, and does all jobs with one weight and finish. THE KISS ON HIS RIGHT CHEEK? That's because he bought her Nu-Kote typewriter ribbon — Nu-Kote is the one ribbon that outlasts ordinary ribbons 3 to 1, comes on a universal spool for 140 different machines, and has a red portion which even reproduces in Thermo-Fax and Multilith processes. SEND COUPON TODAY! See how good your carbons and ribbons can be.

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upward since service prices tend to increase more slowly than commodity prices during the primary stages of an inflationary phase and more rapidly than commodity prices toward the latter stages.

WALTER R. LIVINGSTON
Research Associate
American Medical Association
Chicago, Ill.

► *Mr. Livingston's figures are correct. Medical care constitutes 5.4 per cent weight in the consumer price index, hence influences it less than housing and food. Medical care at midyear stood 56.1 index points higher than the base period 1947-49 and the consumer price index was 26.5 points higher.*

### Upgrade the unemployed

The article, "What Unions Want Next" [September], says "The long-range union objective is to substitute a federal system of unemployment compensation for the existing federal-state program and to protect workers against any loss in pay while unemployed."

Actually, a bill was introduced in the 1960 session of the Louisiana Legislature to fix unemployment pay at $52 per week. Unemployment compensation, not being subject to withholding, gives the jobless fellow an edge over the employed who earns $1.30 per hour wage, which adds up to $52 a week. His pay is subject to the various federal payroll taxes, making take-home some $43, if he is single.

People who have a genuine interest in this country and the initiative and hard work that makes it tick are going to have to do some real thinking to offset the grandoise plans now afoot that are not based on hard-headed, realistic economics.

The people who have the genuine interest have to come up with a unified proposition, based on the simple fact that if we are going to advance full wages to the unemployed, then he is going to have to earn the wages in self-advancement, his eight hours being spent in the trade school, grade school and or higher learning facility.

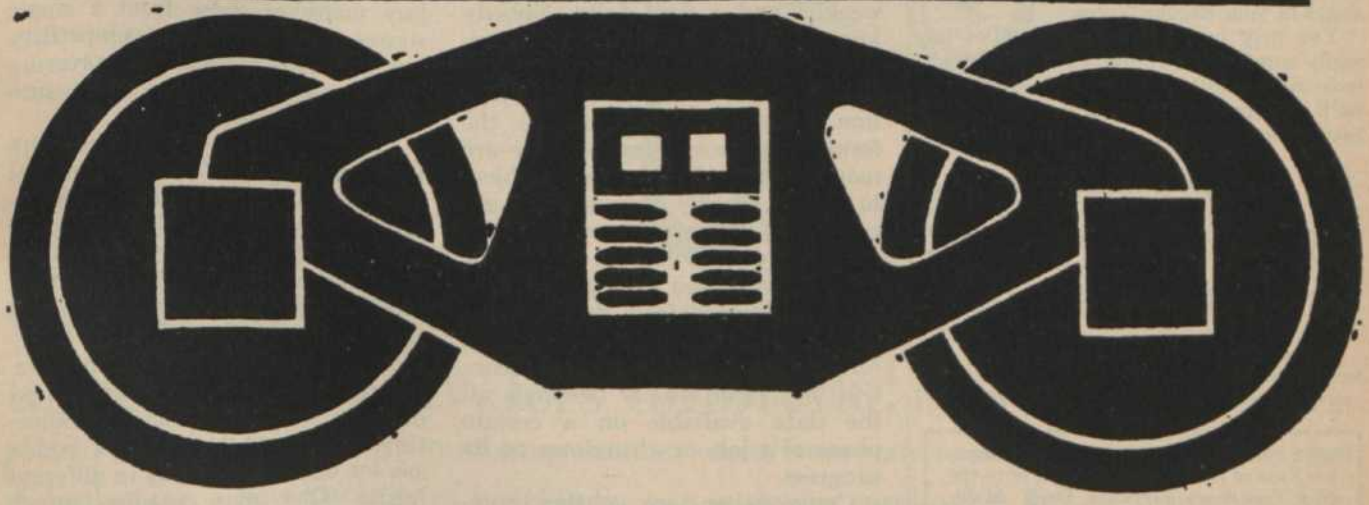
We underwrite sabbatical leave for our school teachers and professors and we should be able to upgrade our country by such a program.

I believe if the labor people have a genuine interest, as they should have, tremendous help should be forthcoming from them, in any program to benefit their people.

Let's get a plan that meets the four-way test.

LEWIS S. DOHERTY
Doherty-Silentaire Co.
Baton Rouge, La.

# 1½¢



the average cost of moving a ton of freight one mile is six cents by truck... twenty-four cents by airplane... and less than a cent and a half by efficient, low-cost railroads.

In everyone's interest, public policy should give the railroads the opportunity to compete with other forms of transportation on a fair and equal basis.
ASSOCIATION OF AMERICAN RAILROADS, WASHINGTON, D. C.

# Here's a retirement plan with a chance to grow

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**WATCH THIS ISSUE**

# Congress may cut cost of defense paperwork

CONCERN is growing in Congress that Uncle Sam's ever-expanding appetite for reports from businessmen is damaging defense production and wasting taxpayers' dollars.

A House subcommittee on government statistics already is eyeing the problem. House and Senate Armed Services Committees, along with the House subcommittee that handles defense appropriations, are likely to take a closer look at the share of military outlays eaten up by paperwork costs.

Every business feels the federal report pressure, if only at income tax time. Few escape without devoting considerable time and manpower to other questionnaires, statistical summaries or census forms.

Altogether, more than 4,717 reporting forms have been approved by the Bureau of the Budget for use by 60 federal bureaus, services, commissions, administrations, boards and other agencies. Some are annual, others quarterly, monthly, weekly, and a few, daily. Nobody knows how much reporting the government does require, but its cost to business is estimated at $200 million a year. In addition to the formally approved forms, there are many others which are not subject to review, chiefly because they are connected with specific contracts.

Military activities in particular have largely been exempted. Many reports required from defense contractors do not involve the use of forms, anyway. The military contracting officer simply demands all the data available on a certain phase of a job, or a rundown on its progress.

Congressmen are getting complaints that this has run up costs for both government and business through:

- Waste of manpower in researching and preparing the reports.
- Purchase of electronic or other data-processing equipment not otherwise needed.
- Use of valuable plant space to prepare or store reports.

Many companies decline to take on government contracts because of the red tape. Others fear that the overhead developed at government insistence will keep them from competing in commercial markets.

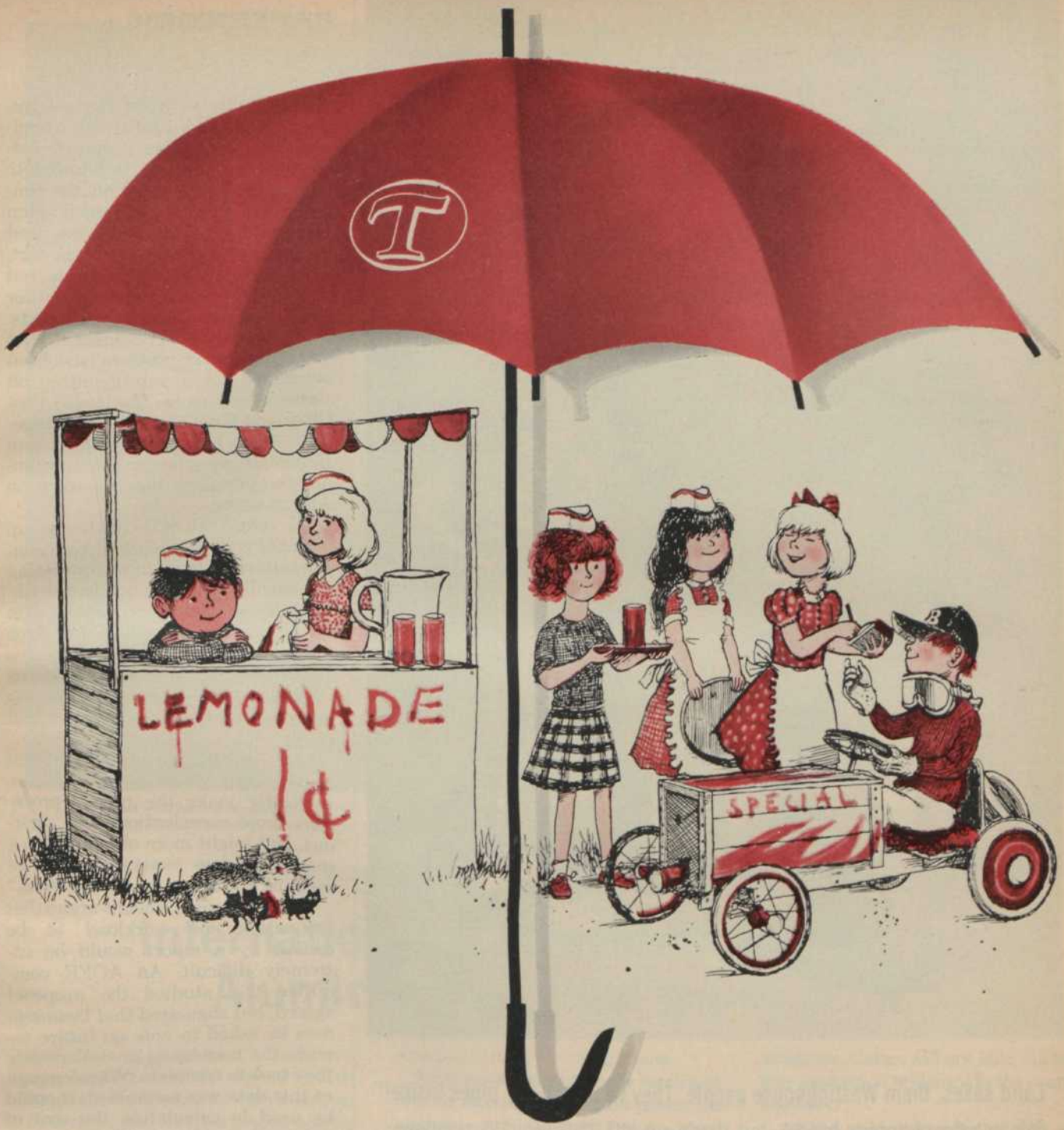
Congress is concerned chiefly because the government pays most of the costs under defense contracts, including a substantial part of the reporting expenses. A reduction in these expenses would result in saving the taxpayers' money.

"We are getting progressively less bang for our buck, and the paperwork burden is a contributing factor," one analyst says.

As an example of the size of the problem, the Budget Bureau reports that in 1959 there were 5,827,867 new defense procurement transactions, involving $16,247,263,000. More than half went for weapons undreamed of a few years ago. Their complexity makes it necessary to buy many of these from a single source rather than by competitive bidding. This increases the pressure for detailed reports to make sure the money is well spent.

Contractors have no quarrel with this philosophy. The government has a right to certain data on material costs, wages, salaries, plant and equipment. But many companies claim the Defense Department wants too much and also does not seem to know what it wants. Many reports require duplication of data. Others demand information not ordinarily kept by business. Sometimes, different government bodies ask for the same records in different forms. One may require punch cards; another, magnetic tape; a third, microfilm.

The central clearinghouse for industry views on government paperwork is the Advisory Council on Federal Reports, sponsored by the Chamber of Commerce of the United States and six other national business organizations. The Council




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## PAPERWORK

*continued*

deals directly with the Budget Bureau's Office of Statistical Standards, which reviews proposed federal forms. While it is allowed to present business views on the contents of a form, the Council often is not allowed to challenge the need for it. The Budget Bureau, in fact, takes the position that it is not qualified to rule on the necessity for many Defense Department reports.

Preliminary congressional studies of the paperwork problem have been conducted by a subcommittee on statistics set up by the House Post Office and Civil Service Committee. Rep. John Lesinski, the Michigan Democrat who heads the subcommittee, promises the investigation will continue.

His panel already has come up with the recommendation that "consideration be given to incorporating the calculation of respondent workload, in man-hours or dollars, into the clearance procedure for each project. It seems reasonable that a data-collection agency give as much attention to the cost it is inflicting upon the public as to its own direct costs.

"Recognition of such implicit costs might, it is believed, automatically make the review procedure more conscientious and rigorous, and might more often lead to a search for less expensive ways of meeting the needs for information."

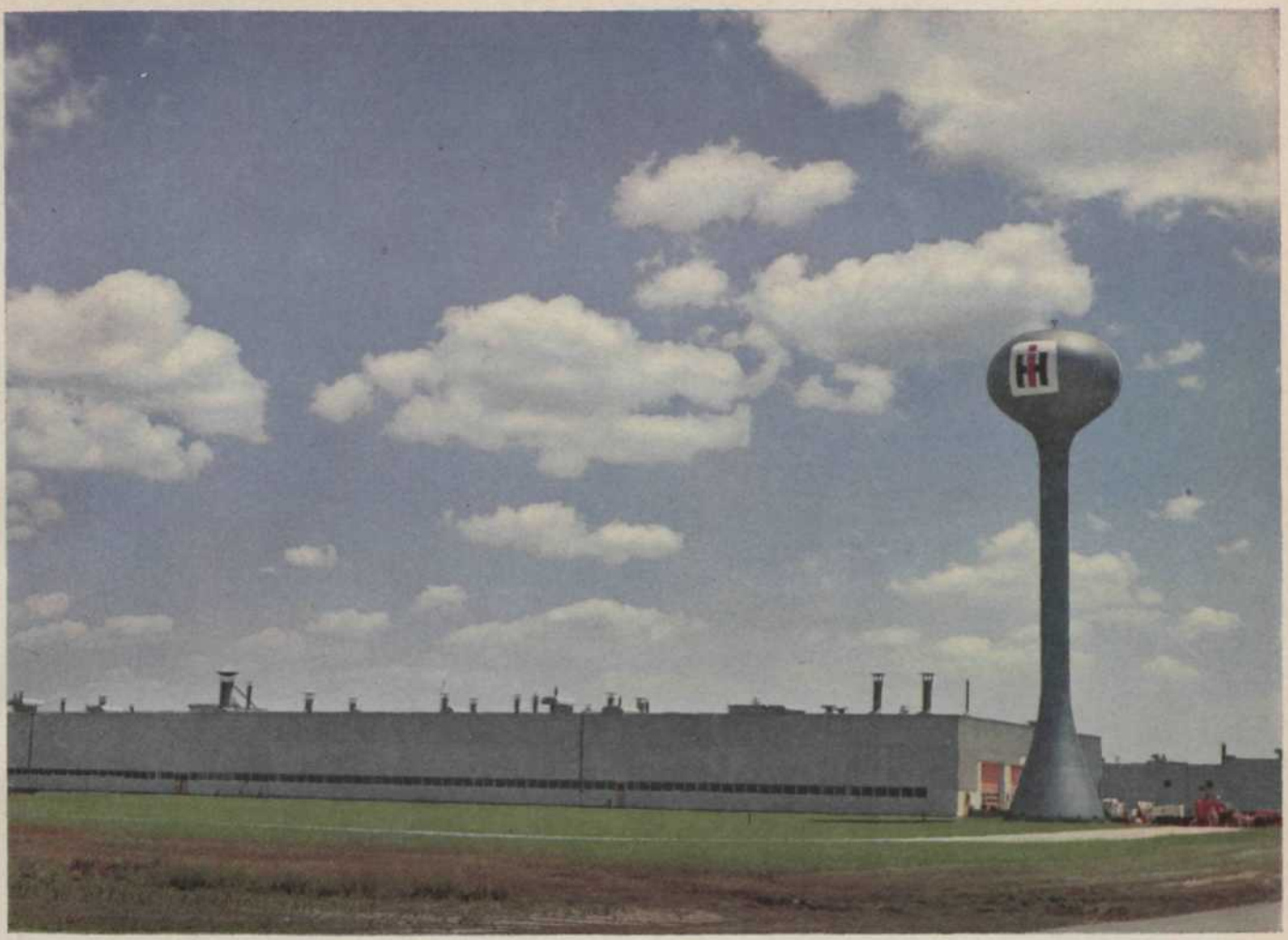
Budget Bureau officials argue that estimating the workload to be caused by a report would be extremely difficult. An ACFR committee that studied the proposal agreed, but suggested that businessmen be asked to note on future reports the man-hours or dollar costs they took to complete. When enough of this data was assembled, it could be used in calculating the cost of proposed reports after that.

Additional congressional moves will be based on the new investigations. Here is a preview of some of the major complaints the committees are likely to hear:

*Manpower waste:* Top and middle managers of many defense contractors spend a substantial part of their time on government reports.

Complex reports require trained personnel to produce. When his normal work force is unable to handle the volume of paperwork that Washington demands, many a contractor has to hire additional people for this job alone. And these

*(continued on page 24)*



Protected with Socony *Alumicolor* Paint, this Horton Waterspheroid, built by Chicago Bridge & Iron Co., sets off the new Farm Equipment Research and Engineering Center of International Harvester Co. near Hinsdale, Ill. *Alumicolor* is made by Socony Paint Products Co., Metuchen, N.J.

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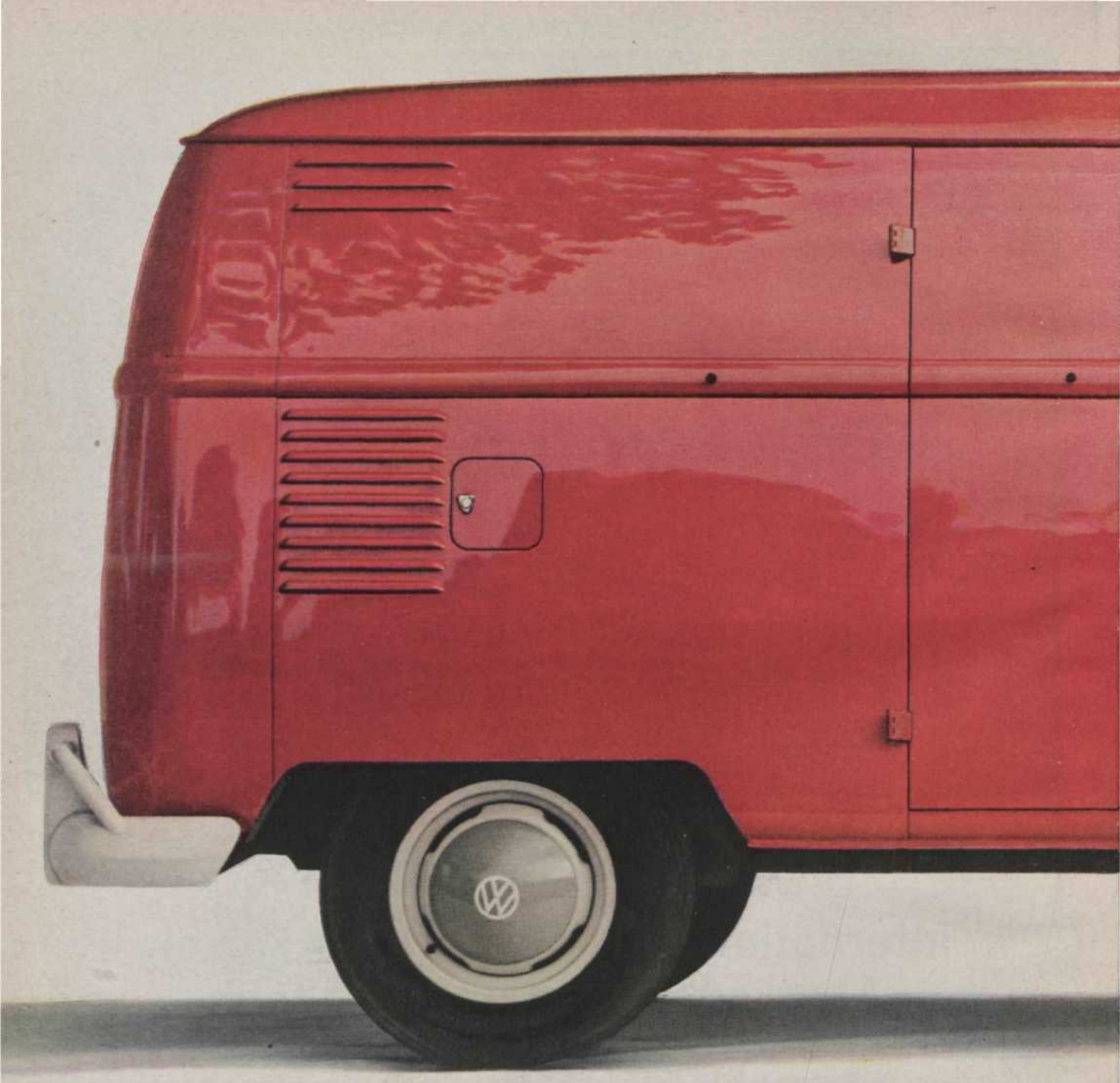
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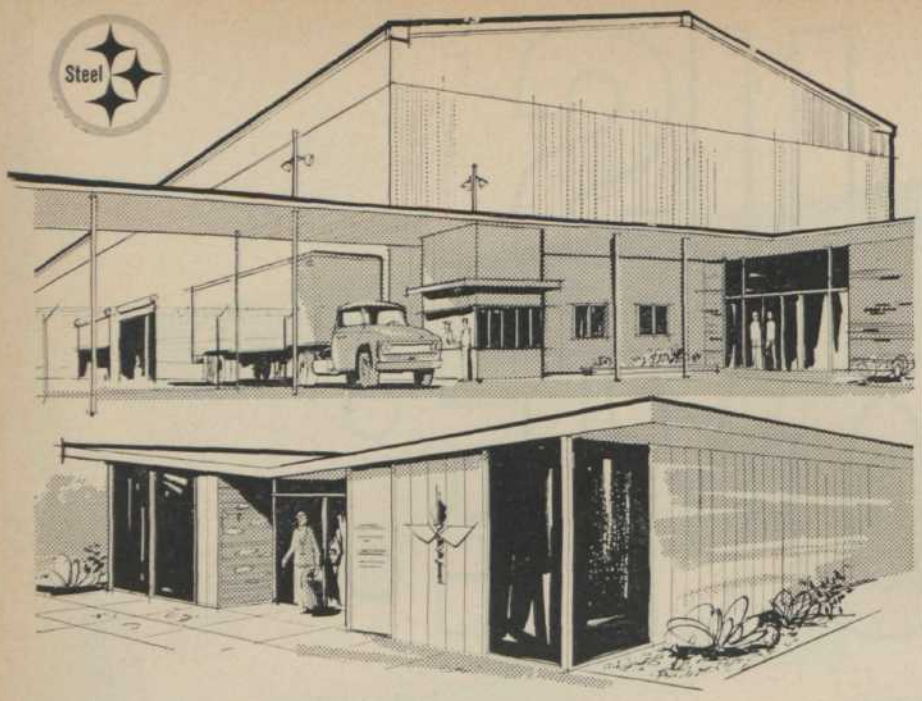
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## PAPERWORK

*continued from page 16*

employes are not simply clerks. They must be accountants, bookkeepers, computer operators, cost and materials analysts.

"Many companies have become badly overloaded with personnel of this type," one industry spokesman says. "Yet, in the long run, their jobs are precarious, because, if the government work runs out, the company would have no use for them."

*Equipment expense:* Processing of federal reports requires substantially more office equipment than most companies would need for their own record-keeping. In addition, federal agencies are installing more and more data-processing machines that require information in such special forms as punch cards, punch tape or magnetic tape. The contractor must get the devices necessary to prepare each form.

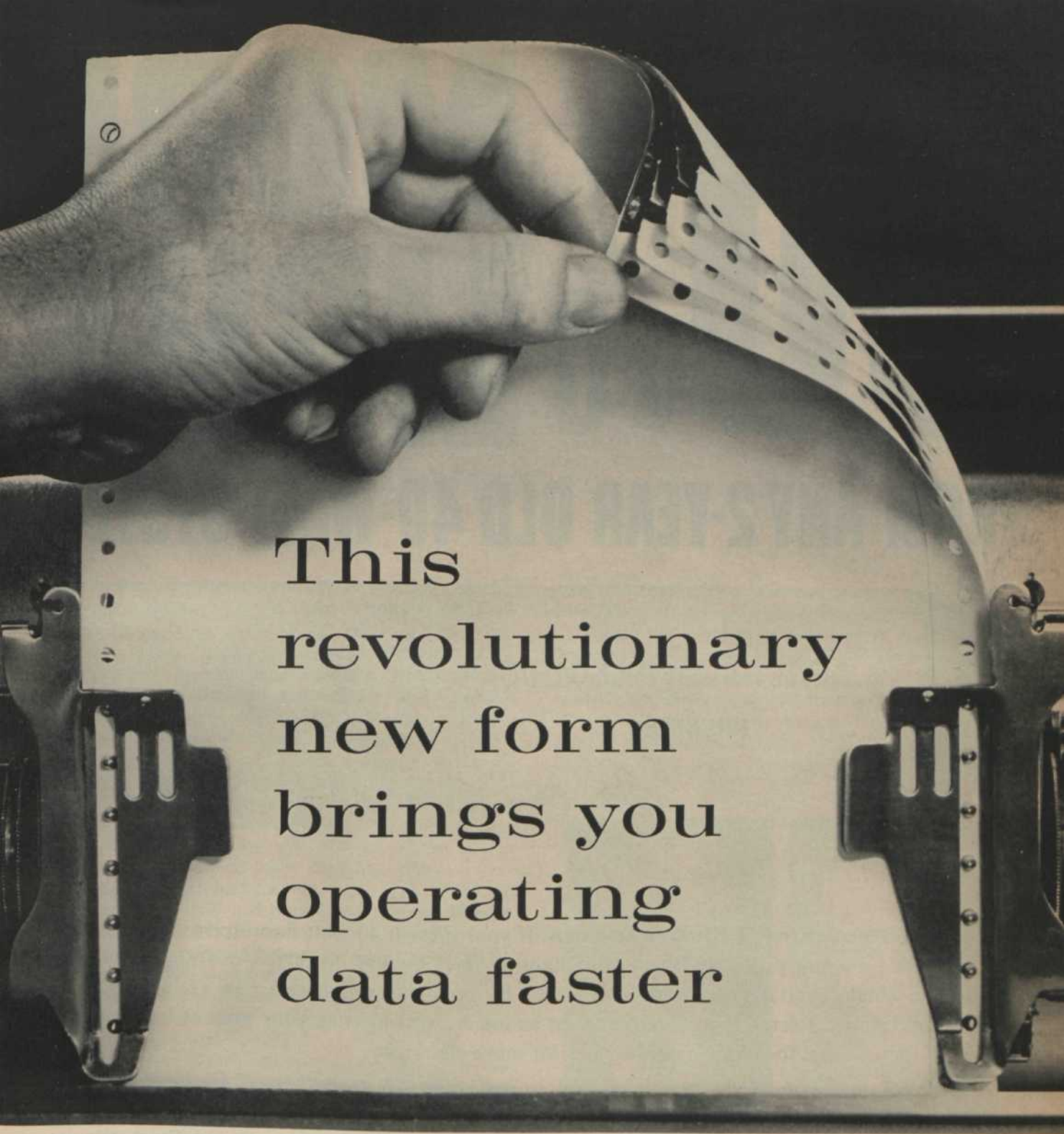
There is also a danger that the government processing equipment itself may increase its appetite for forms. Representative Lesinski, recognizing this possibility, says: "The equipment should not be allowed to become gigantic paper mills merely because they can process information at terrific speed."

*Use of space:* In addition to the space necessary to house the personnel and equipment required for government reporting, many businessmen must set aside large areas for storage of old reports. Much improvement has been made in the past few years in eliminating retention of old records. But the rules are still vague on how long others must be kept.

A recent study by seven representative contractors shows that Defense Department use of the same standards used by most other agencies would result in the immediate disposition of 78,428 cubic feet, or 31 per cent, of the records analyzed, at an annual saving of $200,000 to the seven companies.

*Block to diversification:* Many defense contractors claim that the cumulative effect of the personnel, record-keeping, equipment, and space-use pattern forced on them by government would severely restrict their competitive effort if they had to depend on commercial sales. Lessened demand for military aircraft already is forcing some firms to turn to other products. When missile stocks begin to pile up, others may face a similar situation.

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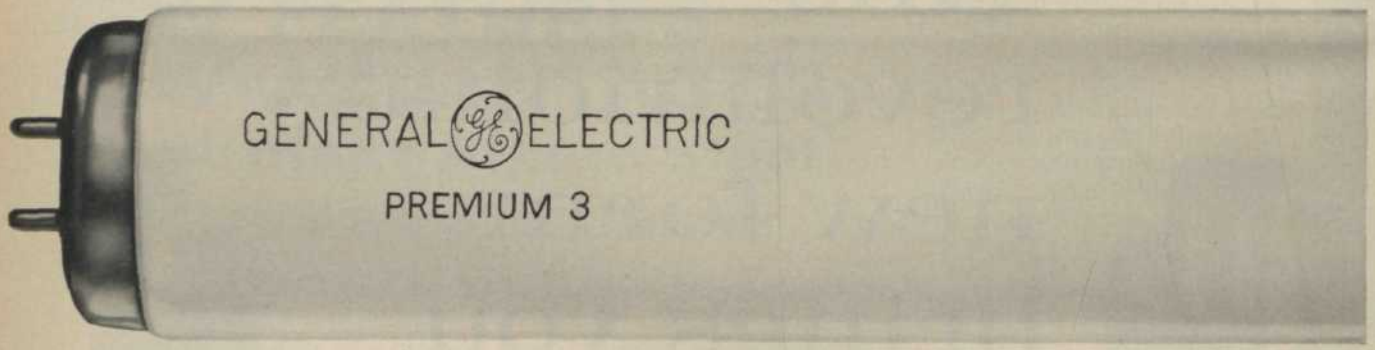
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GENERAL ELECTRIC

# Ike could win again, politicians agree

BY EDWARD T. FOLLIARD

PRESIDENT EISENHOWER will be 70 this month.

In these days, of course, there is nothing remarkable about a man reaching the Biblical threescore and ten. Official Washington abounds with men that old or older. Speaker Sam Rayburn, who came to Capitol Hill in 1913, is a vigorous 78; Rep. (former Speaker) Joseph W. Martin, Jr., is 76; Sen. Carl T. Hayden of Arizona, dean of Congress from the standpoint of service, is 83, and Sen. Theodore F. Green of Rhode Island is a hearty 93.

Still, President Eisenhower's seventieth birthday on Oct. 14 will be something to shout about. For one thing, he will be the first American President to attain that age while in office. And then there is the circumstance that he is where he is in spite of his heart attack in 1955, and his subsequent ileitis operation and so-called little stroke.

Only two Presidents have come close to 70 while in office—Andrew Jackson, who left the White House after two terms at the age of 69 and 354 days, and James Buchanan, who finished his one term at the age of 69 years and 315 days.

A number of Presidents have lived to an advanced age after leaving the White House. John Adams attained the age of 90, Thomas Jefferson 83, James Madison 85, and John Quincy Adams 80. And, in spite of all the talk about the job being a man-killer, we now have two former Presidents who still get around. Herbert Hoover, our thirty-first President, is active at 86, and Harry S. Truman, our thirty-third President, is out on the stump at 76.

President Eisenhower, who calls himself "a tough old guy," has been looking well and telling friends that he is feeling well. Obviously he expects to finish up his second term and ride down Pennsylvania Avenue with the new President on Jan. 20.

How has this distinguished cardiac managed to bear up so well and keep himself so fit? Golf has had something to do with it, and so has obedience to his doctor's orders, especially with respect to mid-day rests and dieting. But there is another explanation, one having to do with his philosophy of living.

"Everybody ought to be happy every day," he told a group of youngsters at the White House in 1956. "If you don't have some fun every day, that day is wasted. You have got a long time on this earth. And if you will meet your problems as they come up and get the satisfaction of a job well done—play hard—have fun doing it—be true to your friends—stick with them—despise wickedness . . . I think you will have a lot of fun every single day. Life ought to be an accumulation of happy days."

WIDE WORLD PHOTOS



*Optimistic President (left) took office in 1953. Today (right) this mood is undimmed*

Not many realize it, but when President Eisenhower leaves the White House on Inauguration Day, he will be only the second Republican President to serve out two terms; the other was Ulysses S. Grant. Two other Republicans were re-elected—Abraham Lincoln and William McKinley. But both were assassinated early in their second terms.

How our thirty-fourth President will be rated by

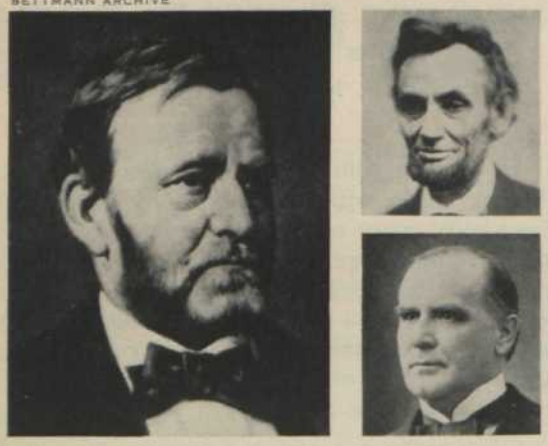
historians, what his niche as a statesman will be, is something for the future to answer. But one thing is evident now. He still has a strong hold on the hearts of most of his countrymen.

It is possible, of course, that President Eisenhower's chief claim to fame will be as a soldier rather than as a statesman, as was the case with General Grant. Mr. Eisenhower himself says that the peak, the climax of his career, was reached on May 8, 1945, when the Germans surrendered to him at Rheims, France.

That, he explains, was what he was trained for.

But surely he would agree that even that VE-Day triumph would have been surpassed if he could have reached a meaningful understanding with the Soviet

BETTMANN ARCHIVE



*Republicans Lincoln, Grant, and McKinley were elected twice. Only Grant completed two terms*

Union and laid the basis for a true peace. This was the test set for him by Prof. Clinton Rossiter of Cornell University in his book, "The American Presidency." Said Professor Rossiter as President Eisenhower was heading into his second term:

"His influence on history is impossible to predict. The one question that history will insist that he answer successfully before admitting him to immortality is this: Can he go on in the next four years to lay a solid foundation for several generations of peace? If peace does break out and stays with us for many years, surely he will be remembered fondly by a grateful world."

Certainly President Eisenhower has tried, as he has put it, to "melt a little of the ice" around Soviet-American relations. He has even exposed himself to insults and rebuffs.

● ● ●

This suggests another question: Is it really fair, considering the attitude of the Soviet Union, to set such a test for an American Chief Executive at this stage of history—that is, to tell him that he can't hope to be listed among our great Presidents unless he persuades Russia to do something that Russia obviously does not want to do?

James Forrestal, when he was Secretary of Defense in the Truman Administration, predicted that the Russian leaders would keep the world in a state of agitation and turmoil for as far ahead as he could foresee. He used to say that Americans would have to get used to the idea, and would have to have good nerves. His own nerves failed him; he committed suicide.

Dean Acheson, Secretary of State in the Truman Administration, saw the situation just as Mr. Forrestal did. In 1946 he said: "We have got to understand that all our lives the danger, the uncertainty, the need for alertness, for effort, for discipline will be upon us. It will be hard for us."

President Eisenhower doubtless would agree with this now, although there were times when he thought that the Soviet leaders might come to realize that it would be to the advantage of the USSR as well as the U. S. A. to end the costly arms race.

On the whole, President Eisenhower has been treated gently by his critics, much more gently than some of his predecessors. He knows this, and once told reporters that President George Washington had been dealt with far more brutally than he himself. (He must have had in mind President Washington's complaint that he had been treated worse than "a common pickpocket.")

● ● ●

The Chief Executive has shrugged off most of the criticism aimed at him, as, for example, the cracks about his golf-playing. However, he has deeply resented some of the efforts to belittle him.

He knows all about the talk that he was a sort of figurehead as supreme commander in World War II, and that it was really men like Gen. Omar Bradley and Gen. George Patton who did the job. He has never said anything about this publicly, but he has talked enough about it privately to show how it has affected him.

Much of the criticism of Mr. Eisenhower as President has been along the line that he has delegated too much of his work to others. In the 1956 political campaign, for example, Adlai E. Stevenson charged that he was a buck-passer who had "rejected" the responsibility of his office. The soldier-statesman let that go.

Strangely, it was the overzealousness of admirers of Vice President Richard M. Nixon that caused the President to defend his own conduct in the White House. There had been such said, by orators and pamphleteers, about how Mr. Nixon was "a full participant in the making of national policy" and about how he had "intimately shared in the shaping of major international decisions."

Finally, at a news conference, President Eisenhower spoke out and said that Mr. Nixon had never participated in any "decisions," that the making of decisions had to be in "the mind and heart of one man"—the Chief Executive.

As he approaches his seventieth birthday, President Eisenhower has this satisfaction: If it were possible under the Constitution, and if he were willing, he could win a third term by a landslide. At least that's what many politicians here believe, Democrats as well as Republicans.

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The citizens of Los Angeles can enjoy a refreshing dip in the cool Pacific waters that lap the city's beaches . . . protected from the danger of water pollution by a new multi-million-dollar project. Key equipment: Allis-Chalmers giant pumps and 2,500-horsepower electric motors. The pumps push 600 million gallons of treated waste water a day through a huge 12-ft diameter pipeline 5½ miles out to sea. Contact with sea water, plus normal dilution, completely neutralizes the waste and eliminates pollution. On this important project, Allis-Chalmers also teamed up butterfly valves, switchgear, and electrical control . . . provided the same caliber of coordinated equipment engineering that is available to all communities, large or small. Allis-Chalmers, Milwaukee 1, Wisconsin.

**ALLIS-CHALMERS**

***POWER*** FOR A GROWING WORLD

# Military strength rests on sound dollars

BY FELIX MORLEY

ECONOMICAL GOVERNMENT is not getting much emphasis in the current campaign, neither from the presidential candidates nor from most of those seeking less exalted office. So it is the more fortunate for us all that an inexorable pressure in behalf of fiscal conservatism is quietly at work beneath the frothy political surface.

This pressure is a consequence of our national commitment to a vigorous and cooperative foreign policy, which is strongly endorsed by both parties. The Democratic platform promises to "identify American policy with the values and objectives" of "the world revolution of rising expectations for a better life." In the same vein the Republican platform supports "programs of economic cooperation" on which "rest the best hopes of hundreds of millions of friendly people for a decent future."

Both parties would have done well to add an identical footnote to these phrases, admitting that they will be worthless unless the strength of the American dollar can be sustained.

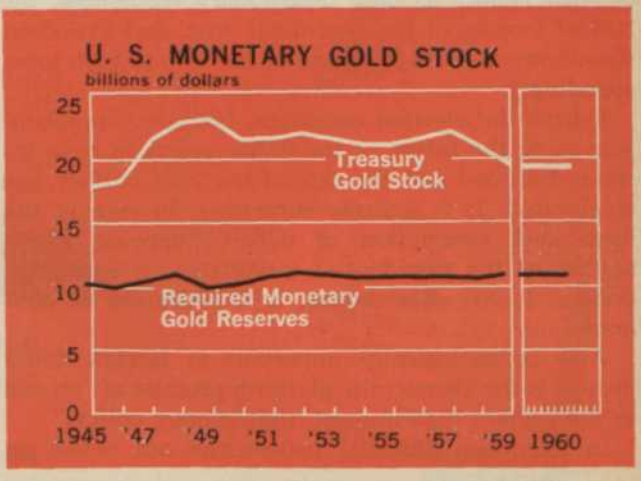
• • •

Fundamentally, the United States can exert world leadership for just one reason: because the noncommunist peoples are willing to hold much of their monetary reserves in dollars.

This is not a result of any particular admiration for American ways, but a cold business proposition. Foreigners bank dollars here for the same reasons as the rest of us: faith in the integrity of financial management and the belief, now somewhat shaken, that the value of money deposited will not evaporate. The chief difference between the foreign and domestic depositor is that the latter must stick to the dollar, in one form or another, while the former is under no such compulsion. He can exchange his money.

Foreign dollar holdings in this country at present total more than $19 billion, of which about one half is owned by other free-world governments. These are entitled to withdraw their dollar funds in gold. Foreign nationals, though unable to make this exchange, may, of course, convert to other currencies at their discretion. A flight from the dollar is thus only partially reflected in diminution of the gold reserve.

Nevertheless, such a drain has now been continuously evident for nearly three years. In 1958 the Treasury's gold holdings were depleted by nearly $2.3 billion. In 1959 the loss was slightly more than $1 billion. This year the rate of withdrawal has slowed further but the decrease in the first eight months was still close to $500 million.




*Of the Treasury's $19 billion in gold, $12 billion is a legal reserve held to strengthen our own currency*

At a little less than $19 billion, the Treasury gold stock is still enormous. But of this sum some $12 billion is held in gold as a legal reserve to strengthen our own currency. So there is now only about $7 billion of "free gold" to match potential foreign governmental claims well exceeding this sum. While the coverage may still seem adequate it soon will not be, if the outflow continues as it has been going.

Opinions differ on whether the trend will necessarily force a further official devaluation of the dollar. But nobody denies that an enforced reduction of the gold coverage, or even the sudden imposition of arbitrary measures to prevent it, would be a shock to our allies and a cause for rejoicing in Moscow;

that is because there can be no reliance on the power of our military strength unless there is also faith in the financial structure which underpins it.

It is ironic that our lavish expenditures abroad are a major reason for foreign mistrust in the dollar. Its current weakness is certainly due in part to the adverse balance of payments created by Treasury subsidies to other countries. So far as actual trade is concerned, the current balance is favorable to the United States, with the value of exports holding a comfortable margin over imports for the first nine months of this year. This margin, however, is more than wiped out by the current mutual security appropriation, envisaging foreign aid payments at the fantastic rate of $10 million a day.

The dollars that we spend so freely abroad have, of course, helped to build the huge volume of foreign holdings in this country. So long as the dollar is stable, and earning a good return here, the foreign owner—whether a government or an individual—will not lightly disturb his investment. On the other hand, these dollars will be disposed of quickly if serious doubts as to their future arise. Lately the climate for foreign investment here has been favorable, because of such factors as mild deflationary tendencies, the budget surplus of the past fiscal year, and President Eisenhower's courageous use of the veto to curb loose spending.

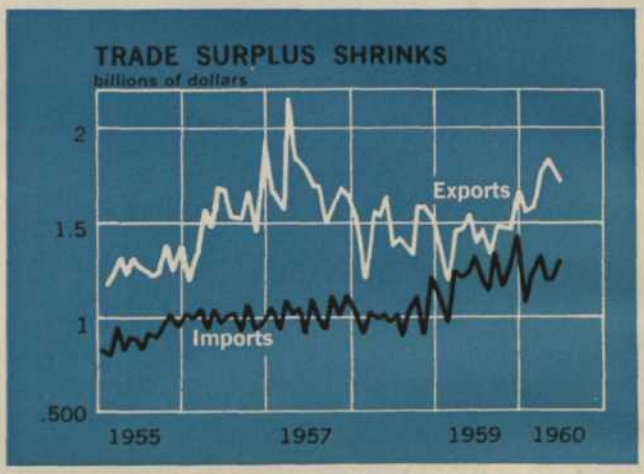
During the election campaign, however, apprehension as to the future of the dollar seems to have increased abroad and the rate of the gold outflow has accelerated. It is scarcely surprising, in view of the threatened resumption of deficit financing which neither of the presidential candidates, in contradistinction to Mr. Eisenhower, is emphasizing as ominous.

Also psychologically important to foreign dollar owners is the Democratic platform promise of "an end to the present high-interest, tight-money policy."

In European financial papers one can detect an obvious fear that the present American mood is inflationary. And nothing would pull foreign money out of this country more quickly than a combination of low interest rates and depreciating dollar value.

Another important factor in the picture is our ability to trade competitively. Governments allied with the United States have responded cooperatively to diplomatic urgings that restrictions on American exports be removed. A favorable upsurge in the trade balance has resulted. But this may be only a temporary bulge. Certainly no foreign government is going to do anything to discourage the efforts of its exporters to penetrate the American market.

Last year, because of the steel strike, the value of these imports temporarily overtook that of our exports. Whether this will happen again, and for a longer time, depends both on the efficiency of foreign competitors and on the cost of production here. The former is certainly increasing. And it is difficult to see how our production costs can be held down when they are so largely determined by factors which management no longer controls.

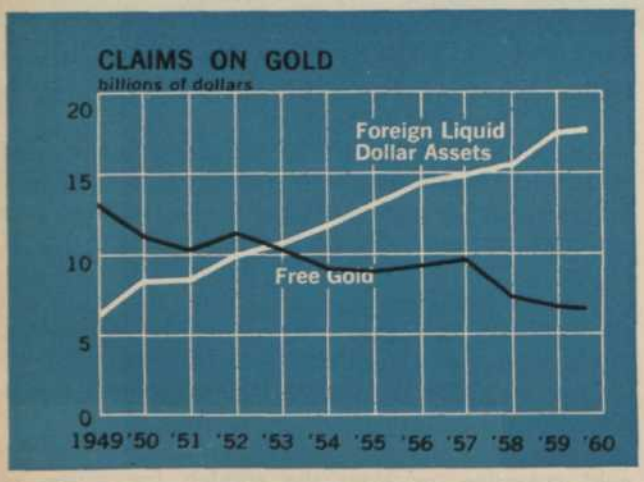



*Although our exports exceed imports, the gap is narrowing and aid payments wipe out the margin*

It is much easier to write rosy promises into a political platform than to fulfill those pledges. To transform aspirations into reality is difficult even when the means to do so are under one's own control. When others are in a position to frustrate what we seek to accomplish, great expectations should be severely tempered.

Yet one might think, from the election literature and speeches, that the will of the majority can be made completely effective, no matter what extravagant form it takes.

A vigorous and internationally cooperative foreign policy is now undoubtedly imperative for the United States. But we have still to realize that it cannot possibly be achieved unless in conformity with sound finance. For that reason, all measures tending to undermine the dollar, no matter how easily advocated now, will simply have to be shelved soon after the votes are counted. Then those who have promised most will (if elected) be forced to face proportionate popular disillusionment.




*Stable dollars paying a good return are our best assurance against further claims on our free gold*



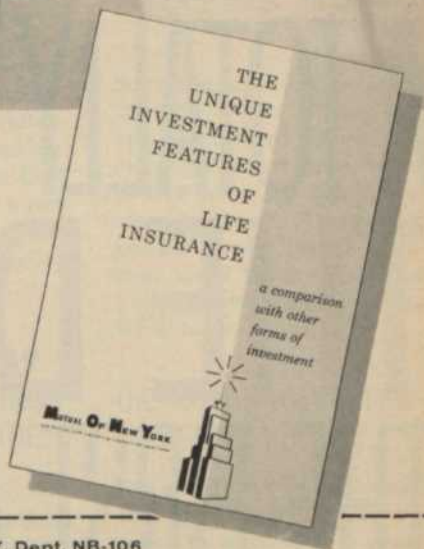

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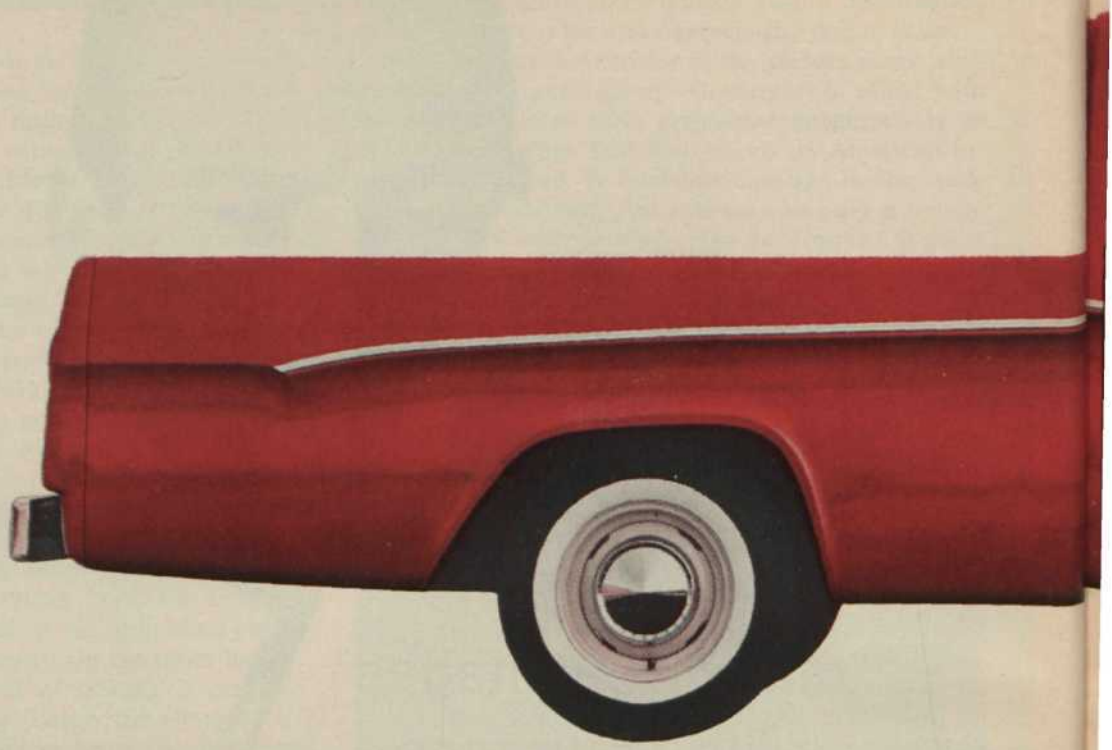
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# FROM DODGE FOR 1961

## A TOTALLY NEW KIND OF TRUCK

# THE DART PICKUP

## THE FIRST AND ONLY TRUCK WITH

# COMPACT-ECONOMY




## WHAT DO WE MEAN, THE ONLY TRUCK WITH COMPACT-ECONOMY?

We mean that the new Dart Pickup is compact in everything but work capacity. It has a compact diet. It handles like a compact. The upkeep costs are compact. But in the work department this baby is a full half-ton hauler. It'll do a sleeves-up job of work every day, day in and year out. That, mister, is what we mean by *compact-economy*. A truck that is economy-minded, a tough devil of a truck, all truck, all work, all the way.

## WILL OUR ENGINE, THE NEW SLANT-6, ACTUALLY DELIVER MORE MILES A GALLON THAN COMPETITION?

There's only one way to answer that kind of question, and that's to test the new Dart Pickup against its biggest competition, Ford and Chevrolet. That's just what we did. Result? Time after time the new Slant-6, overhead valve, 225-cubic-inch engine came out ahead on actual miles-per-gallon.

As for the engine itself, it is slanted 30 degrees from the vertical. This makes possible highly efficient manifolding, both intake and exhaust. Also gives you plenty of underhood work room which, by the way, you'll seldom need. This new engine of ours is a mighty tough customer.

Mounted on the engine, as standard equipment, is an alternating current generator. It will charge the battery even at idle. Because the battery is more fully charged, more of the time, it will last longer. Small thing? Maybe. But it saves you money.



You'll be interested to know that many of the engine parts are aluminum. Things like the water and oil pump housing, the distributor case. Extensive use of aluminum means less dead weight. More payload. More *compact-economy!*

## IS IT TRUE THAT THIS TRUCK IS NEW DOWN TO THE WHEEL STUDS?

Take a look at the picture above. It's unretouched, by the way. See anything familiar? You bet you don't. This one is all-out new. Not new, mind you, for the sake of newness, but functionally new. New cab, new body. New, easier clutching, and shifting, and handling. As a matter of fact this Dart Pickup of ours even has a new soft sound. Wait'll you've had one on the job. You'll agree it's a great new way to work.

## WHAT'S THIS I HEAR ABOUT A NEW THING CALLED "SEDAN RIDE"?

You know how a truck ride used to be. Not very pleasant. Well, this year Dodge has done something about it, with a virtually service-free suspension system that takes the "truck" right out of truck ride. A side benefit of this new suspension is that front tires don't pay the penalty for your pleasant ride. You get every mile of rubber you paid for.

## ANYTHING I OUGHT TO KNOW ABOUT THE REST OF THE '61 DODGE LINE?

Sure! You ought to know about the 1961 Dodge conventional and cab forward models, the four-wheel drive series, door-to-door jobs, the school bus chassis. There's Six and V8 gasoline power. There's Cummins diesel power. There's a weight spread of 4250 lbs. GVW to 76,800 lbs. GCW.

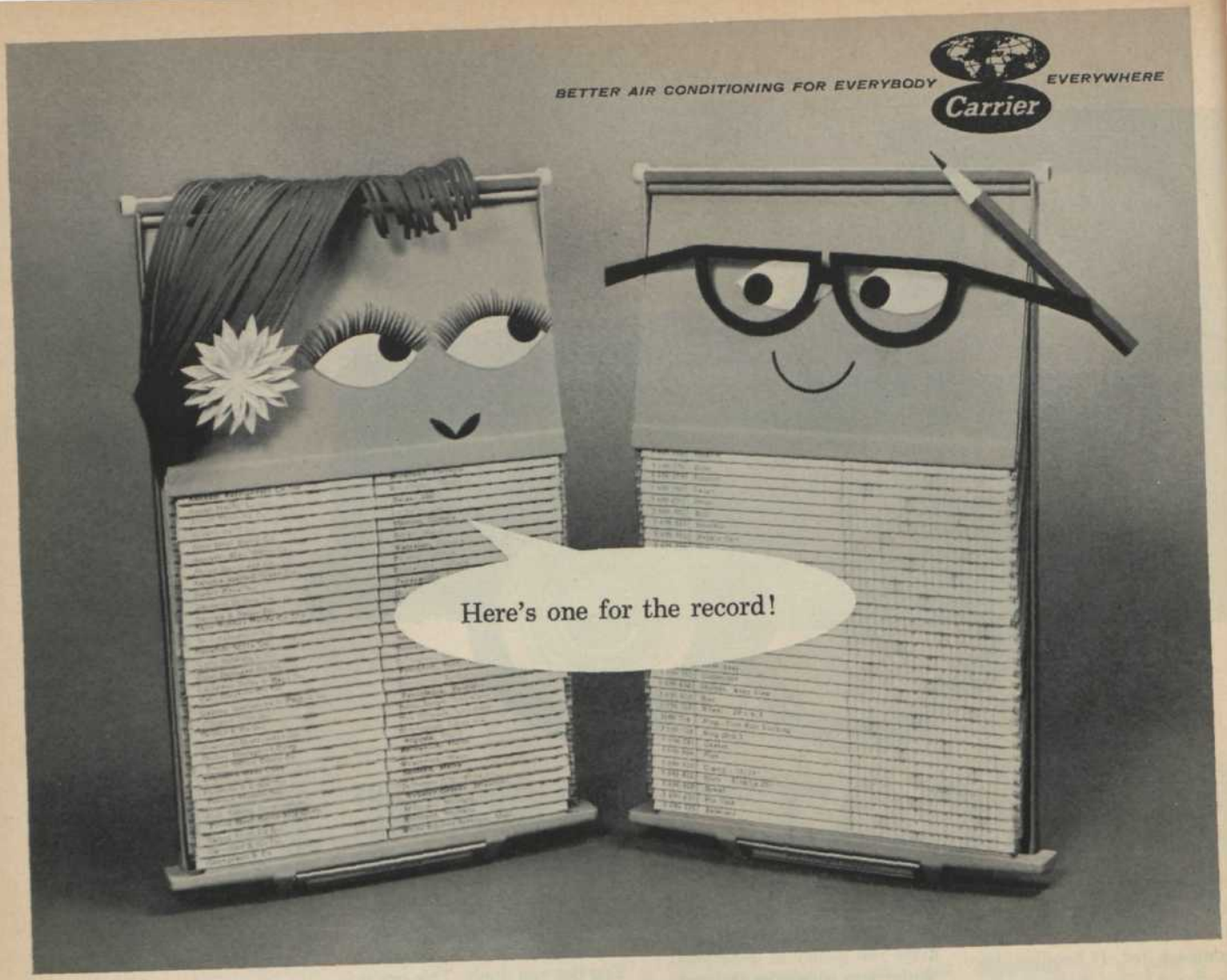
## OK, NOW HOW DO THE PRICES STACK UP?

The new Dart Pickup and the 1961 Dodge line of trucks are priced to compete with every truck coming or going. And a Dodge truck will skin the pants off any truck for muscle, hustle and money-saving ways. You can depend on it!

# SEE THE DART PICKUP

BETTER AIR CONDITIONING FOR EVERYBODY EVERYWHERE

Carrier




# ACME VISIBLE EARNS 35% RETURN ON ITS CARRIER AIR CONDITIONING INVESTMENT

Acme Visible Records, Inc., of Crozet, Virginia, is the world's largest manufacturer of visible records systems. And because it is also one of the fastest-growing, the need for increased production is a continuing problem.

Ten years ago the company believed it had found a solution. Facilities were moved from Chicago into a new plant in the Shenandoah country. But the gain was short-lived. A few years later sales again were pushing capacity.

This time management decided that an increase in the productivity of its 500 workers might accomplish as much as further plant expansion. So a Carrier air conditioning system was installed in 1957. Results have far exceeded the most optimistic hope.

The increase in Acme work output during summer months has been so great that annual production was boosted 6.6%—over four times the 1.5% increase normally required to make air conditioning pay off. And the return on the investment has been even more spectacular.

According to Acme, its air conditioning is earning a 35% annual return—or enough to pay back the cost of the system in less than three years!

There have been other production bonuses, too. Humidity control has eliminated paper stock edge curl. There is less rusting of unfinished metal sheets. And bonded wood-and-paper products—once made in winter only—can be produced year round.

Many other manufacturers report that Carrier year-round air conditioning is paying similar dividends which, significantly, do not vary greatly as the result of geographical location or the type of products manufactured.

The most important of several factors that determine the profitability of industrial air conditioning is the density of workers in a plant or plant area. Where the number of square feet per worker is low, the return on the air conditioning investment will invariably be high.

There are other yardsticks, too—all described in the booklet, "Will factory air conditioning pay off for me?" which we will send to you without obligation.

Write for this booklet today. Carrier Air Conditioning Company, Syracuse, New York. In Canada: Carrier Air Conditioning Ltd., Toronto.

# BUSINESS OUTLOOK: 1961

## A noted analyst of economic trends forecasts future course of business

BY MARCUS NADLER

BUSINESS ACTIVITY is likely to remain at about its present level for the next several weeks and then begin a moderate recovery which should continue during the early months of 1961.

There are no forces operating in the economy now that indicate a sharp upswing. But neither are there forces that would lead to a serious recession. There are some uncertainties: the political campaign; the international situation; the movement of the stock market.

On further analysis, however, these uncertainties—although they must be kept in mind—do not loom so large.

Platforms and campaign statements aside, both parties must consider the economic facts of life. Political leaders know that the balance of payments of the U. S. continues unfavorable. U. S. investment and purchases abroad are greater than investment and purchases by foreigners in the U. S. People of other lands own more than $16 billion of short-term dollar assets in the U. S. So long as confidence in the dollar exists, foreigners will not only maintain but will increase these assets.

If, however, confidence in the dollar should be undermined by a persisting balance of payments deficit and by inflationary monetary and fiscal policies, a large outflow of gold could occur. This could happen if foreign investors demanded gold for their short-term assets.

Under these circumstances, government would have to reverse the inflationary policies—or the dollar would have to be devalued. No responsible leader would contemplate the latter, for it could undermine the prestige of the U. S. throughout the world and give Russia one of its greatest victories of the cold war.

One may conclude, therefore, that the integrity of the dollar must be a major objective, regardless of the Administration in power.

The international situation must be viewed in the light of the following assumptions:

There will be no major war.

At the same time, establishment of normal relations with the Soviet Union is improbable.

The cold war will continue. Consequently, defense expenditures will not only continue large but will be increased.

What the stock market will do is impossible to say. Prices of many stocks have risen far beyond levels warranted by present or indicated future earnings. Many corporations find themselves in a profit squeeze. Despite over-all expansion in the economy, profits during the first half of the year were below those of a year ago, with the second quarter showing a particularly large lag. Costs of production are rising, but competition makes it impossible to shift the increased costs to the consumer. In addition, there seems to be a general reappraisal of the price-earnings ratios which have risen sharply in the past few years. Further readjustment in the stock market, therefore, seems likely.

These uncertainties will continue to influence business activity. Yet business in general will be dominated by the underlying economic forces operating in the economy. An analysis of these forces will give us an idea of what lies ahead.

Economic conditions in the United States are governed by:

- Spending by individuals.
- Spending by business.
- Spending by government.
- Other forces.

Let's examine each of these in turn.

### *Individuals*

Personal consumption expenditures constitute by far the largest segment of the economy. During the first half of 1960 these expenditures were at the rate of $326 billion annually, compared with $310 billion during the first half of 1959.

This spending depends primarily on disposable personal income which, in turn, is determined largely by the status of employment. Total employment in mid-August stood at 68.3 million and dispos-

*The author, a professor of finance at the New York University Graduate School of Business Administration, is a well known consultant and authority on business finance.*

# BUSINESS OUTLOOK: 1961

able income has been rising steadily. Wages are high and still increasing, although in July the factory workweek was slightly less than a year ago.

Unemployment, however, is also considerable. In mid-August it stood at four million, or 5.2 per cent of the civilian labor force.

In part this reflects the effects of mechanization and automation, which sometimes lead to temporary technological unemployment. In part it is due to weakness in some industries, such as steel, coal and certain consumer lines. Finally, it is the result of the continuing shift of people from the farms to the cities—a trend which swells the ranks of unskilled workers.

The labor force is increasing rather rapidly and will continue to increase. Unemployment, therefore, will continue to be a problem during the next 12 months.

With these facts before us, let's consider the likely trend in consumer spending. This is of three general types:

*Nondurable goods:* Spending for nondurable goods, such as food, is not greatly affected by business activity. It reflects primarily the growth of the population and the general rise in living standards. It rarely declines even in periods of considerable unemployment. We may take for granted that this spending will be higher in 1960 and the first half of 1961 than in 1959.

*Services:* Expenditures have increased consistently and will continue to do so.

*Durable goods:* Personal consumption spending for durable goods, such as automobiles, is more greatly influenced by business activity, the status of employment and the individual's attitude with regard to the economic outlook.

The output of durable consumer goods is lagging and inventories are high. Although not up to expectations, 1960 promises to be a good auto year. Recent surveys indicate that consumer buying plans for other durable goods in the next few months are on the downward side. Thus it appears that any improvement in this sector in the next year is bound to be moderate.

On balance, one may expect that total personal consumption expenditures will continue to increase moderately. This will be an important factor in maintaining the economy at a high level. The only element of uncertainty is in durable consumer goods. Output and sale of these will depend in some measure on the willingness of buyers to increase their indebtedness. But consumer credit is at a high level and the ratio of repayments to disposable personal income is increasing.

### Business investment

This is the most volatile sector of the economy and developments in it will determine to a considerable extent the trend of business during the next 12 months. The sector is composed of three elements: construction, new plant equipment, and business inventories.

Total new construction in the second quarter of 1960 was at an annual rate of $40.3 billion, compared with $40.8 billion during the first quarter and $41.3 billion a year before. Most of the decline was in nonfarm residential building, which dropped to an annual rate of $21.1 billion in the second quarter of 1960, against $23.5 billion in the second quarter of 1959.

The decrease in housing starts reflects primarily the shortage of mortgage money. In recent months, however, mortgage money has become easier. This trend may be expected to continue during the next few months, mirroring the general easing in the money and bond markets. Recent actions of the Federal Reserve system will further ease the money market and have a favorable effect on home building. Housing starts should begin to increase in the near future and in the first half of 1961 should be at a higher level than during the current year.

Commercial, industrial, and other construction in general reached an annual rate of $19.2 billion in the second quarter of 1960, compared with $17.8 billion during the same quarter last year. Further improvement is to be expected and the construction industry should therefore contribute to a moderate improvement in business activity during the next few months.

*New equipment:* Spending by business for new equipment during the second quarter of 1960 reached an annual rate of $29.2 billion, compared with $26.1 billion during the same period a year ago. This trend should continue. Spending for new plant and equipment during 1960 is estimated at about 12 per cent larger than a year ago. In view of reduced profit margins and the less favorable outlook for business, this estimate may be too optimistic but, in any event, capital outlays by companies during the next 12 months should be higher than during the past year.

*Inventories:* The most difficult item to appraise is the movement of business inventories. During the first quarter of 1960, inventories were accumulated at an annual rate of $11.4 billion, but in the second quarter the rate of increase fell to only $5.3 billion. This partly explains the failure of industrial output to show any upward trend during the first seven months of the year.

Since unfilled orders have declined, it is evident that efforts will be made to reduce inventories, and this may lead to a temporary cutback in production schedules. Toward the end of the year one may expect inventory building to start again, though at a lesser rate than in 1959.

On the whole, however, private investment should contribute somewhat to an improvement of business activity toward the end of 1960.

### Government spending

During the first half of 1960 federal expenditures tended to decline, due primarily to a drop in defense outlays. However, irrespective of the outcome of the election, total federal spending for goods and services will rise. Defense expenditures

will probably increase, reflecting the mounting international tensions. Congress has already voted higher salaries for certain government employes. Larger outlays for public works, notably highways, as well as for certain public services, are also probable.

Expenditures of state and local governments have increased consistently since World War II, and the end is not in sight.

So, it is evident that the total value of goods and services bought by federal, state and local governments during the next 12 months will be higher than during the past year. This will stimulate business activity.

### *Other forces*

In addition to the basic factors already cited, there are other signs which point to a moderate business upturn.

U. S. exports have increased sharply. Since the industrial countries of Western Europe and Japan are still booming, one may expect continued heavy shipments of American products to these areas. The moderate improvement taking place in Latin America also indicates somewhat larger exports to that part of the world.

Farm income is also rising. Farm operators' net income, excluding net change in inventories, totaled $11.8 billion during the second quarter of 1960, at a seasonally adjusted annual rate, compared to $10.2 billion in the first quarter. Favorable weather conditions throughout the country would indicate a further improvement in farm income irrespective of any measures that may be taken by the government.

Money rates have declined and the availability of bank credit is rising.

Easier money is likely to have a favorable effect on home starts and should also stimulate public works construction as well as capital spending by corporations.

In view of the international financial position of the U. S. and the restoration of the international money market, a return to the extremely low interest rates of 1957-58 is highly unlikely. However, so long as unemployment is relatively high, industry is operating below capacity and wholesale prices remain relatively stable, the Federal Reserve authorities will follow a policy of credit ease in order to stimulate economic activity and growth.

Barring unforeseen contingencies, one may expect that money market conditions during the next 12 months will be substantially easier than those that prevailed throughout 1959.

From all this we can conclude that, although the overoptimistic predictions made early this year with regard to business activity in 1960 have not materialized, there are no basic maladjustments and the economy as a whole is sound.

The weak spots are concentrated primarily in the durable goods industries, notably home appliances, and in home construction. This, in turn, reflects the low rate of activity in steel, coal and a few other industries.

What influence international developments and the outcome of the election will have on business sentiment and activity cannot be predicted. However, massive government intervention and measures which would undermine confidence in the dollar, although they could lead to a temporary upswing in business activity, would lay the foundation for serious difficulties later on. **END**



Keeping our dollar sound must be a major goal of government, no matter who wins the election

# KEYS TO EXECUTIVE SUCCESS

## Beginning a four-part series

YOUR FUTURE will be determined in large measure by how skillfully you perform as a business executive.

In no period in our history has the nation needed skilled executives as it does today.

We have just stepped over the threshold of an excitingly new, intensely competitive and bewilderingly complex era—a time in which the success or failure of entire industries will turn on the degree of drive, imagination, skill and knowledge which the leaders of those industries bring to bear on the problems they will encounter.

That's where you, as an individual manager, come into the picture.

In common with all executives, you face the fundamental challenge of succeeding or failing. To succeed, you need sound skill in decision-making; you must make effective and responsible use of your power as an executive; you must provide the leadership drive necessary to carry yourself and your organization forward.

To provide its readers with useful insights into the varied skills and environment of the business executive, NATION'S BUSINESS called on two highly qualified observers of the business scene. It asked them to analyze the realities of executive life, and to forecast the needs of a demanding future.

The two authorities are Drs. David G. Moore and Eugene E. Jennings. Both are members of the faculty of Michigan State University in East Lansing, Mich. Dr. Moore, a sociologist, has had extensive contact with businessmen as a consultant and adviser. Many regard him as the country's foremost authority on executive development.

Dr. Jennings is an associate professor in the Graduate School of Business Administration at Michigan State. A psychologist and frequent lecturer before management groups, he is the author of a current book, "An Anatomy of Leadership," published by Harper & Bros.

In this issue, Dr. Moore discusses executive success and failure, the first in a series of articles. In next month's NATION'S BUSINESS, Dr. Moore will examine "The Executive as a Decision-Maker." In subsequent issues, Dr. Jennings will round out the series with articles on "The Nature and Uses of Executive Power" and "America's Need for Business Leadership."




# WHY SOME WIN, OTHERS LOSE

WHAT IS SUCCESS? Each of us probably has a different idea of what success and failure represent.

But every society has certain accepted notions of success. The character of a people, of a nation, can be assessed by examining its notions of success. Who are the successful ones? How did they get there? How do they behave once they arrive? Success in any society, therefore, is best defined in terms of what getting ahead means in that society.

With a few exceptions, most Americans search for success in organizations of one kind or another.

Organizations have dominated America since before the turn of the century. If you sometimes feel you would like to eliminate them, remember you will have to go back to the uncomplicated, bucolic ways of our ancestors.

Organizations are here to stay. They must be taken into consideration in examining human behavior in modern society.

Organizations have certain characteristics which largely determine who will get ahead and how. These characteristics are interrelated and overlapping. Some of the most important are:

1. Organizations are geared for action. They have definite goals.

2. There is, accordingly, a heavy emphasis on tangible achievements.

3. Organizations are practical; action must take place here and now. Circumstances about which nothing can be done must be ruled out. This does not mean that the future cannot be considered nor complications viewed; but, at the point of decision, these must be focused and narrowed so that action can be determined.

4. Organizations tend to be conservative. They are keenly aware of the expenditure of resources required to take action, particularly extended action. Notions of efficiency and conservation thus become important.

5. Organizations tend to be highly disciplined. Individual efforts are directed to the accomplishment of over-all aims involving only indirect personal satisfactions for most participants. Work is channeled and sustained at a high and constant level.

6. There is a genuine effort to relate means to ends in a logical, effective way. The action taken must be justified by reasons. The reasons may be right or wrong, but the arguments must seem sound and acceptable.

7. The over-all purposes of organizations are generally limited. In this lies their great strength, since they are able to focus enormous technical and human resources on narrow ends and thus overcome difficult obstacles by sheer concentration of effort.

8. The over-all tasks of the organization are typically broken down into subsidiary tasks so that individual functions become narrow, highly specialized, and concentrated.

9. Coordination of these many diverse activities becomes a problem.

10. There is a hierarchy of control and authority in organizations. The organization is typically pyramidal. Control is achieved through a downward flow of rewards, punishments, and communications. Thus, a system of higher and lower authority, and of status, develops. Individuals within the system think in terms of superiors, peers, and subordinates with many areas of ambiguity.

This list is by no means exhaustive, but it does spell out some of the major features. The man who gets ahead in such organizations is one who can function effectively within their framework and their system of values. He must adjust readily to the needs and demands of the organization and also make its essential characteristics an integral part of his own personality.

Who, then, is successful *(continued on page 48)*

# HOW TO SELL TODAY

## Modern salesmen must have these skills if they expect to achieve profitable sales

THE JOB OF THE SALESMAN is changing. In an era when all forms of selling are on the rise, his role, far from declining, is becoming more important.

No longer are persuasion, personality and product emphasis the only keys to success. The salesman not only serves as a marketing counselor in a day when marketing-mindedness is a prime business asset, but takes on a much broader function. He advises his customers on new products, production costs, distribution problems and engineering. He becomes a business counselor.

In the course of it all, he comes to represent the very personality of his company.

The first job of today's salesman is to know the customer's business, to calculate the customer's best chance of success and then to help him achieve it by the most effective means.

"He has to dream along with the customer," is the way Henry C. L. Johnson, marketing director of Lippincott and Margulies, sums it up.

Other sales leaders agree.

"You still teach salesmanship but not just persuasion," says Edward Reynolds, director of marketing for the American Management Association.

"Although a logical sequence of reasoning to help the customer make up his mind—along with a good sales close—are still indispensable elements in the sales repertoire, too much persuasion may actually arouse distrust."

"The salesman is the customer's representative in the office of his company rather than his company's representative to the customer," says George Butler, of the management consulting firm, St. Thomas Associates. "He'll argue the customer's case in company circles even when it seems to the company's disadvantage."

"Companies today are trying to put out representatives equipped to understand and analyze the customer's needs and then interpret them back to the company," says Donald Hooper, director of market planning for Westinghouse. "It is the job of these representatives to know more about the customer's business, in many respects, than the customer does himself. The idea is to be able to tell the customer how to make money.

"In the old days, the salesman sold products. Now he sells functions and services. As a result, we, like many another company, are changing from a product-oriented to a function-oriented organization. This requires great flexibility because new products are constantly coming out of research laboratories and new techniques are being evolved which make it possible to solve problems in new ways. As a result, everybody—particularly the salesman—must be more alert, eager to learn and excited about new things."



To help their customers step up profits, some producers of industrial supplies show their manufacturer-customers how to reduce costs on the production line. Others are supplying major assistance in product development. One large food company is using the results of nationwide marketing tests to help retailers increase productivity of shelf space.

All these changes and others have come about with a metamorphosis in the market which springs from such factors as:

- ▶ Increasing complexity of products.
- ▶ Urgent need for cost reduction.
- ▶ Higher service requirements.
- ▶ Changing patterns of distribution.
- ▶ Changing nature of competition.

One sales manager who is vitally affected by new materials and technologies is Walter Brunauer, of the Lily-Tulip Cup Corporation.

"With us, competition gets more and more complicated," he says. "It used to be paper versus glass, then paper versus paper. Then plastics and metal came in. Now we have our own plastics plant, so we can use paper and plastics in any desired combination. As a result, we have four distinct selling organizations going after four different kinds of trade.

"In the face of all this, a salesman has to meet all kinds of new conditions; he has to keep in touch with customers, the home office and all the new developments in the trades, and do it faster.

"It puts a big burden on communications. Companies must get out more bulletins, hold more meetings and use every device they can to keep the salesman informed. Some sales departments are putting in communications coordinators—usually called communications managers—who see that everyone connected with the operation gets all the information he needs. Communications managers usually don't originate the communications but see that they keep moving and remain understandable.

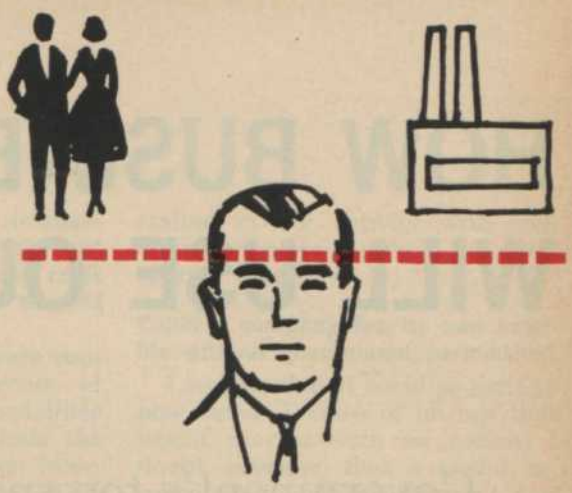
"But the biggest burden is still on the salesman. He must read, apply, study and observe constantly. If he doesn't, he's lost."

Another means of communication, generally known as "packaged salesmanship," is coming into increasing use to bring about a closer relationship between manufacturer, distributor and retail organizations. Many manufacturers are applying it to bolster salesmanship on retail floors. The sales talk is wrapped up in the product itself. It may be a floor sample, a miniature model, a cardboard reproduction—sometimes called "cardboard engineering."

Packaged salesmanship is being produced by a number of new consulting firms.

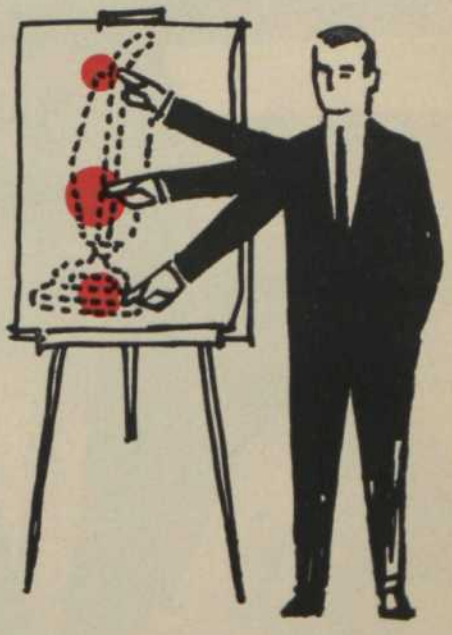
"While such models are used primarily on the retail floor they are also adaptable as training devices," says Paul Bolduc, vice president of Carter & Galantin, Inc., one of these consulting firms. "More than this, they are used as a means of communication, not only throughout the company but also from manufacturer to distributor to dealer."

Models may be supplemented by other communication devices. For example, a manufacturer may present the officials of his distributor companies with a kit including a sound *(continued on page 117)*



The salesman has become customer's representative in his own firm, rather than the company's representative to the customer . . .

Where he once sold products, the salesman now sells functions and services . . .



# HOW BUSINESS WILL USE OUTER SPACE

## Government's top space administrator answers vital questions in this Nation's Business interview



CARL PURCELL

COMMERCIAL USES of space are coming sooner than scientists dared expect even a few months ago.

Weather forecasting based on photographs made by satellites high in the sky promises broad benefits in the near future.

The practicality of bouncing transcontinental telephone calls off huge, orbiting balloons has already been demonstrated. Other possibilities will quickly follow.

So far, all the nation's nonmilitary space projects have been controlled by the National Aeronautics and Space Administration, drawing upon private industry for development and production of most of the rockets it calls launch vehicles and the instrument-packed satellites which they put into orbit.

Private industry now wants to pursue its own projects. The Bell Telephone system has formally requested authority to conduct worldwide communications using satellites. Other concerns are studying the feasibility of space ventures. Commercial development of space depends largely on the government's attitude toward industrial participation.

To get the present thinking on this question, NATION'S BUSINESS editors interviewed T. Keith Glennan, who has headed NASA since it was established two years ago. Before that, he served as a member of the Atomic Energy Commission, the National Science Foundation and as director of the Navy's Underwater Sound Laboratories during World War II. Since 1947, he has been president of Case Institute of Technology, Cleveland, Ohio, a top engineering school.

Dr. Glennan speaks out on the need to recognize that private industry has a proper role in space development, subject to some sort of federal regulation. He discloses

for the first time that his agency may hand Congress proposals to carry out this philosophy.

Here are his views:

**When the first commercial space projects become possible, will competitive enterprise be allowed there, or will space remain a government monopoly?**

This is going to call for development of an interesting bit of public policy, since it is hardly conceivable that anyone would be permitted to fire a rocket at will—to launch it into orbit—without some licensing or other regulatory arrangement.

For example, the division of responsibility and authority between the government and a private industrial organization for research, development and operations in the communications business, where satellites are to be involved, is not fully clear.

It is my conviction, however, that privately owned and operated—government regulated—communications systems utilizing satellite techniques are to be preferred over government operation.

I suspect the next Congress may have some problems to deal with in this area.

**Will NASA offer any proposals?**

We might suggest legislation. We are making continuous studies, attempting to identify the public policy questions and the operating policy questions. We have also sponsored studies by others, to get as unbiased and objective a view of these questions as we can.

I hope that before the end of this year we can make reports on all these studies.

**What are the first commercial uses of space that private companies might undertake?**

I would say that civil communications, which has always been a private activity, will continue to be one.

I think it's possible, although perhaps remote, that ultimately a company might operate a launching service.

It might provide a package deal, building and selling rocket vehicles as well as the launch service. Under some sort of licensing arrangement, this organization might put into a particular orbit a space craft or satellite that a customer wanted to have in that orbit.

It is possible that a private concern could provide a service of launching meteorological satellites to acquire information which the Weather Bureau would then interpret and use in forecasting. This seems to me to be a real possibility, but it is far down the road and it will certainly not occur until there is greater standardization in the launch vehicles and in the kinds of satellites. Really, we are at the kindergarten stage of this business.

Obviously, the operation of the ground stations, the variety of computer and tracking facilities necessary for space projects, can be done under contract for either a company or the government.

I am not one who believes that the government should man every station in our activity with civil service employes; indeed, we don't operate that way.

**Could a company fire its own satellite without government permission?**

I suspect that it could as matters now stand. I know of no law that would prevent such an action. I doubt, however, that it would because of the magnitude, cost and complexity of the task.

**Will the government regulate business activity in space?**

Yes, I believe it will be necessary to have a licensing and regulatory arrangement of some kind.

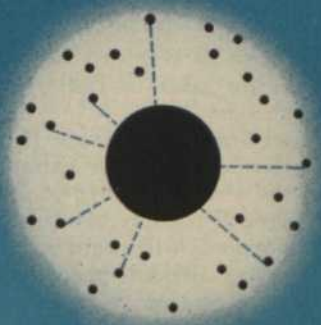
**How about subsidies to promote commercial space development?**

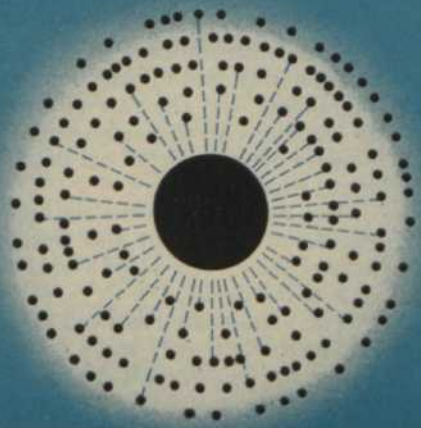
I rather doubt that any subsidy would be involved in an operational communications system, for example, other than the fact that the

*(continued on page 94)*

## SPACE TRAFFIC SOARING

At present a score of man-made objects are hurtling through space, about half of them transmitting data back to earth.



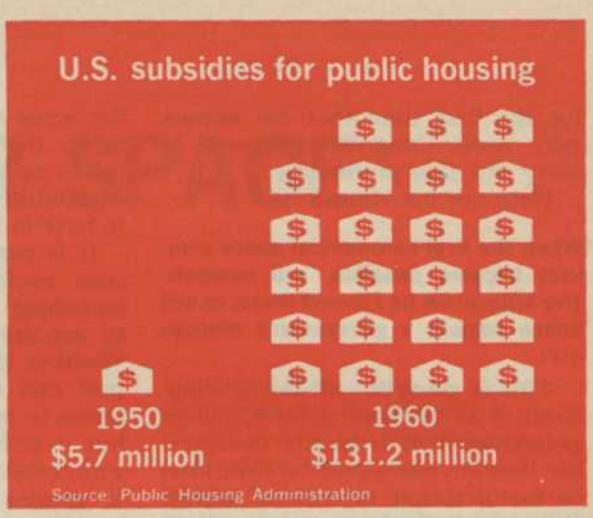


Between 1965 and 1970, experts estimate, 150 to 200 pieces of hardware will be in orbit, of which 40 or so will be transmitting.

An authoritative report by the staff of the

# HOW'S BUSINESS?

## today's outlook




### AGRICULTURE

New records in wheat, both stocks and exports, are in prospect. The wheat carryover on July 1, 1960, of 1.3 billion bushels sets a new record and almost equals the expected crop output for this year. The U. S. Department of Agriculture estimates this combined supply will fill our domestic requirements of 610 million bushels, provide for a further increase in exports and still result in a 250 million bushel addition to the carryover by July 1, 1961.

The improved 1960-61 export prospects are due largely to poor crop conditions in Western Europe and stepped-up sales to India and Pakistan.

Based on heavy shipments thus far, grain traders look for exports to exceed the 1956-57 record of 550 million bushels. Probably two thirds of the total exports will again be under government disposal programs.

The postconvention session of Congress produced no serious attempt to deal with farm programs. This means that wheat surpluses can be expected to increase for at least two more years, barring crop failure or even more spectacular disposal programs.

### CONSTRUCTION

The taxpayer is now meeting—through federal subsidies—almost 90 per cent of the annual principal and interest payments on bonds of federally subsidized local public housing projects.

As recently as 1950 federal subsidies accounted for only 26.9 per cent of annual principal and interest on bonds of projects eligible for federal grants. By 1955 federal subsidies were meeting 73.1 per cent of such costs, and in fiscal 1960—according to preliminary figures—about 88.8 per cent.

The rise in dollar costs is even more substantial. Federal subsidies for local public housing totaled $5,737,706 in fiscal 1950; $66,584,363 in 1955. In 1960, the total was about $131.2 million.

Several factors account for this increase, among them: increased numbers of public housing units, higher costs, construction of larger units, and decreased local revenues available for debt-service use.

Trends in costs and revenues—coupled with the fact that the program commits the federal government to payments for as long as 40 years—are generating tremendous future obligations.

### CREDIT & FINANCE

This is an unusual period.

Consumer installment debt is still increasing, but the rate of increase is slowing. At the same time, consumers are paying off old debts at a more rapid rate.

The Federal Reserve reduced the rediscount rate but did not move actively to increase loan funds available to the banks.

The prime rate has been reduced, but lendable money stays tight and banks are heavily loaned up.

Despite this reduction in the prime rate, banks tended to maintain lending charges on other commercial loans.

Defense contracting is to be accelerated.

The long-awaited Highway Report will show the need for an immediate choice between a stretchout of the program and a new system of financing. New financing will probably win.

There are many indications that both inventories and sales will pick up in the fourth quarter.

### DISTRIBUTION

The rising cost of services is the biggest boost factor in the Bureau of Labor Statistics' Consumer Price Index since World War II, according to Ewan Clague, Commissioner of Labor Statistics.

While other sectors of the index have halted or even dipped in various periods since the war, prices of services have risen steadily.

They have increased nearly three per cent during the latest 12-month period—more than any other segment in the index.

Census Bureau data show that steady growth of the service industries has contributed greatly to growth in total business activity in the postwar period.

The basis for rising costs of services in recent years is heavy consumer demand.

People are spending more for personal and medical care, for education, for home and auto repairs.

# Chamber of Commerce of the United States

Increased vacation time for millions of people has resulted in more spending on travel and recreation.

## FOREIGN TRADE

The new Administration and the new Congress will face problems in the field of foreign trade. This is due primarily to events currently taking place in various parts of the world, particularly the gathering of delegates from 49 nations in Geneva for negotiations under the General Agreement on Tariffs and Trade.

The first session, to continue until December, has as its purpose to insure that the external tariffs of the six-nation European Common Market conform with Article XXIV of GATT which provides that the creation of a customs union should not produce higher trade barriers than those formerly existing in the individual members of such a union.

Meanwhile, the proposal of the Commission of the European Common Market, which sets up agricultural protectionism within the Market, has come under strong attack by representatives of the outside countries, as being contrary to that provision.

## GOVERNMENT SPENDING

The Bureau of the Budget has completed its analysis of the money bills passed by the Eighty-sixth Congress and assessed their degree of variance with the budget proposals made by the President. This information will be printed in the *1961 Federal Budget Midyear Review*, to be released this month.

A factor often overlooked in any annual analysis of spending legislation is the long-term effect on expenditures. As an example, Congress gave the President nearly $44 million less than he requested for public works expenditures in fiscal year 1961. However, at the same time, the Congress added more than 20 new projects to the public works appropriation bill. The estimated full, multiyear cost of the new projects exceeds $300 million.

Another area in which the spending authorizations can be misleading is Agriculture. The Congress reduced the President's request by more than $141 million. Yet, if additional funds are needed to buy surplus crops, the money will have to be appropriated.

## LABOR

A shift is about to take place in the chairmanship of the House Education and Labor Committee. The change comes because Chairman Graham Barden, member of the House since 1935, has decided to retire.

Chairman Barden has been exceedingly skillful not only as a chairman but also as a negotiator for the House conservatives in the House-Senate conferences on bills proposed for passage.

Mr. Barden deserves credit, for instance, for the final Landrum-Griffin results.

Adam Clayton Powell, Baptist clergyman and congressman from Harlem, is apparently, on the basis of seniority and continued Democratic control, laying plans to be the next chairman. Representative Powell has stated that, as chairman, he would seek early action on minimum wage and aid-to-education bills, examination into alleged racial discrimination in the AFL-CIO building trades as a part of hearings on situs picketing legislation, and appointment of a subcommittee on FEPC with himself as chairman to promote such legislation.

## NATURAL RESOURCES

Growing demand for beryllium metal because of its light weight, strength, and high melting point has led to a prospectors' rush to recent discoveries of ore deposits in the Topaz Mountain area southwest of Salt Lake City, Utah, and in the Sawtooth Mountains of south central Idaho.

Beryllium finds growing use in aircraft and missile parts, as well as in the manufacture of alloys. It will be used to line the nose of the U. S. man-in-space vehicle. It also may be used in nuclear reactors.

Most ore in the past has been obtained by hand-cobbing the mineral beryl from irregular pegamatite deposits associated with granite. The price of domestically produced beryl was $520 a ton in 1959 and imported beryl was $292 a ton at foreign ports of exportation.

There is still a question as to whether the Utah ore can be produced commercially, although the Vitro Corporation of America claims to have a new and cheaper extraction process.

## TAXATION

Regardless of the outcome of the elections, it's a safe guess that the new Administration and Congress will attempt to do something about our antiquated tax setup.

Early in the Eighty-seventh Congress the usual flood of pet tax bills will be dropped in the House hopper. Some will be narrow in scope and of little interest.

A green light on a major tax reform such as the Herlong-Baker bill (H.R. 3000) could put the brakes on most piecemeal tax legislation. However, if no major tax reform is forthcoming, you can look for renewed action on taxation of foreign income, retirement allowances for self-employed, allowing legislative expenses as a normal business expense, depreciation, and taxation of interstate commerce by the states.

This year considerable discussion arose over such questions as the repeal of the credit against income tax for dividends received by individuals and deductions for certain business expenses. These same issues will undoubtedly face the new Congress.

## TRANSPORTATION

The subject of mergers in the transportation industry is uppermost in the minds of the management of various airlines, railroads, and motor carriers.

Prominent in the airline field are merger proposals involving United Air Lines and Capital, and a possible merger between Trans World Airlines and Northeast.

Among the railroads, the Norfolk and Western–Virginian merger was effected in 1959. Another between the Delaware, Lackawanna and Western and the Erie has just been approved. A host of other rail merger proposals in various sections are in various stages of development. Plans are also under consideration in the motor carrier field.

The key to carrier merger plans is the regulatory agency within whose jurisdiction the carrier falls. While regulatory agencies will temper their findings with the effect a particular proposal will have on such factors as efficiency, economy, and better use of personnel, equipment, and facilities, their primary focal point will be the effect of the proposed merger on competition.

## WIN OR LOSE

*continued from page 41*

in organizations? In seeking the answer, let's consider patterns of successful and unsuccessful behavior in three important areas:

- The intellectual.
- The psychophysical.
- The social.

The major characteristics will be presented in sharp focus without noting all the qualifications and deviations.

### *The Intellectual*

*Conceptual ability:* The successful executive is typically one who can readily form a picture of events and come up with plausible notions about what is going on. This skill is the ability to "conceptualize." He must identify events unfolding around him, take a stand regarding the meaning and interrelationship of these events, and argue his points effectively. His reasoning must somehow create a sense of confidence in others, a feeling that what he says is the reality or at least an important part of the reality.

Because he is a key figure in an organization which is essentially seeking direction in action, he must develop a formula or design for action.

Executives rise because they can give direction. They must be able to wrap up reality in neat and plausible bundles, address them correctly, and pass them on to others for shipment. The successful executive must be an oversimplifier.

He must take his stand knowing, if he is introspective at all, that he does not have all the facts. His skill lies in not skipping too many of the important details.

An executive can gain an understanding of what goes on around him either deductively or inductively. He can search out details and gradually build these into a plausible picture or he can gain a sweeping overview and fill in the details afterward.

Executives can fail in their conceptual ability in several ways:

First, they may have none of this ability at all. We are all familiar with individuals who can see the details but cannot put them together into a well integrated picture. Such individuals cannot provide direction because they do not know what it is all about.

Second, there are those who know what is going on but are not convincing in pushing their ideas. Nobody listens to them.

Third, there are those who know what goes on but who offer no design for action. These are the intellectuals who may be an excellent source of ideas for others who can act on them but are not likely themselves to gain power in organizations.

Fourth, there are those who integrate reality in plausible ways but are conventional and uncreative. Their ideas are a "dime a dozen."

Finally, there are those who simplify complex reality too much. They are the ones about whom one man said, "They can reach decisions rapidly because they never allow thought to interfere with their decision-making."

*Decision ability:* Closely related to conceptual ability is the ability to reach decisions. They are not the same. Many men can create plausible pictures of the world around them but are basically unwilling to push through to the conclusions which their interpretations indicate. Call it courage, call it motivation, call it dedication; no matter what you call it, a shortage of it means lack of push at the point of commitment. These men need that nod from the boss, be it ever so slight, before they will take a stand.

A decision always involves a commitment of resources which inevitably means that these resources cannot be committed in other ways. It is easier to visualize in hypothetical terms what should be done than to commit the resources, including one's own time, energy, and reputation, necessary to go ahead and do it.

*Knowledge:* The most frequently forgotten element of successful executive behavior is knowledge. We sometimes become so concerned with the psychological, emotional, and social aspects of executive behavior that we overlook one of the most important qualifications of all —an intimate knowledge of the structure, interrelationships, and properties of the phenomena with which the executive deals. Large-scale organizations are systems of great technical and human complexity.

They exist within an equally complex external framework. The successful executive does and should

*(continued on page 52)*


# WATCH FOR . . .

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## WIN OR LOSE

*continued*

worry about big problems, but he also involves himself in details.

The knowledge the successful executive requires can best be obtained within the organizational activity itself. He cannot learn it from textbooks. More than this, his knowledge must be organized in relation to situations demanding action. It is not simply knowledge for knowledge's sake, although he may have a good deal of this; it is organizationally significant knowledge.

The best that he can obtain from formal education are analytic and learning skills which permit him to acquire intimate knowledge quickly and allow him to develop his capacity to delve into and understand situations of increasing complexity.

### Psychophysical

*Work orientation:* The successful executive typically can channel his energies effectively into his work. He meets the requirements of organizations for dedication to work, and for discipline. He does not work out of a sense of guilt but out of the satisfaction he gains from accomplishing things. He tends to be the kind of person who picks up energy like a two-cycle engine through work itself.

He not only has the emotional energy to channel into his work but also the physical stamina. Sheer survival is one of the requirements of successful executives. Those who drop off in their early forties have no chance to develop their full capacities.

The successful executive is not readily distracted. He is not the man who looks up when a pretty secretary passes the door. He is not looking for every opportunity to get away from his job. In one sense, he has the capacity for narrowness, focused attention, and singleness of purpose. He has the ability to push through tasks which to many would be boring, unexciting, and mundane. He can, in short, become excited and remain excited about some unexciting things, and he can do this day after day.

*Self-image:* The executive's image of himself is that of a mature, responsible, serious-minded person. He takes himself seriously. What he is doing is important. The confidence which he develops in others is in part related to this strong personal commitment which he has made to his job and the organization of which he is a part.

*Aggression:* Executives must have aggressive energy. Quiet, confident aggression is by far the most effective. This means the kind of aggressive energy which convinces a man that his ideas are as good as—or better than—anyone else's. It means the kind of aggressive energy which permits a man to impose his interpretations of events on the world around him. It means sufficient self-confidence to allow others to have ideas and do things. It means enough aggressive energy to ask others to do things which he wants done. The man who goes through an agonizing self-appraisal every time he moves simply cannot stay up with those who act without gnawing anxiety.

How much aggressive energy is required depends in part on the general level of aggression characterizing the executive organization.

If the executive team is made up of a herd of bulls, the Milquetoast is likely to be annihilated. If, on the other hand, you have a group of executives who are quiet and polite to one another, then the overly aggressive person is out of place.

According to Dr. Eliot D. Chapple, who has done some exciting, innovating research in the field of executive behavior, aggressive energy is deeply ingrained in the psychophysiology of a person and not something which can be turned off and on like a faucet. If this is true, one wonders about some of the efforts in recent years to transform old bulls into polite Ferdinands.

### Social aspects

*Personal relations:* The organization requires that its executives function effectively within a framework of personal relationships involving those in higher positions, those in lower, and those at the same level. Movement up the ladder depends upon nods from above.

This does not mean that the successful executive must be a yes-man with no mind or character of his own. A successful executive typically selects himself for promotion. He advances, not because he is a nice fellow and no threat to those above him, but because he is someone to be reckoned with, a power figure, a man whose demands somehow must be met. But he does not hold deep-seated hostilities toward higher authority figures. He identi-




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## WIN OR LOSE

*continued*

fies with them and wants to be like them.

As Prof. William E. Henry, of the University of Chicago, has put it, "He looks to his superiors as persons of more advanced training and experience, whom he can consult on special problems and who issue to him certain guiding directives. He does not see authorities as destructive or prohibiting forces."

This means that successful executives must be able to operate within a framework which is not of their own making long enough to get ahead.

The successful executive must also be able to work cooperatively with competitors, which is no easy task. His colleague is his rival for higher positions, but the organization demands cooperative relationships. The ability to compete effectively in an atmosphere of cooperation is a social skill which each successful executive must acquire.

Subordinates are typically seen as those who have been left behind. Successful executives have no particular emotional involvement with subordinates. It is not a question of coldness, punitive authoritarianism or sadism—merely lack of involvement. The man who closely identifies with the underdog does not want to be the boss, just the spokesman for the underdog. Some men may use the problems of the underdog as a vehicle for expressing their inner hostility toward authority.

*Social mobility:* Successful executives are mobile; they want and actively seek higher positions. They are interested in power and status. This means, of course, that they are not solely interested in money.

A large-scale organization acquires the characteristics of any social system. The behavior required of employes at various levels is not only functionally and technically different but also socially and ideologically different. There are social expectations regarding how a man in a particular position ought to behave. Thus, a mobile executive not only must acquire the technical and functional proficiency of higher-level positions but also the social qualifications.

When they say, "He's a good man, but he just wouldn't fit," that means he would not fit socially. A man by his whole nature conveys an impression, has an impact, which is right or wrong for particular social positions.

There are no guarantees in any society that those persons who are the most capable and possess the most wisdom and the greatest virtue will inevitably rise to the top. Our system of selecting leadership for the key institutions of our society is crude at best. Indeed, the major achievement of political democracy which has been centuries in the making is not so much in the identification and selection of high-quality leadership but in the safeguards which it provides against continued inept leadership.

We have, in America, the strategic advantage of being able to limit our losses, but we cannot as yet insure ourselves against the rise of mediocrity and even, under some circumstances, gross incompetence.

It takes only a slight twist in the somewhat idealized description of the successful executive to change effective behavior into ineffective. For example, it has been pointed out that executive decision-making must of necessity be highly subjective and somewhat aggressive. If too subjective and too aggressive, it becomes punitive and authoritarian. Successful executives must be conservative with somewhat narrowly focused aims.

If too conservative and too narrow, they can become bottlenecks, impeding progress.

Successful executives must be serious-minded. But if too serious, they can lack introspection, the ability to laugh at themselves, and the ability to be objective. Under such circumstances, work ceases to be fun and becomes a deadly, unhappy pursuit for everyone involved.

Successful executives must be mobile; but, if mobility and the seeking of status and power become the sole objectives, organizational aims are forgotten.

These are a few of the variations from the idealized pattern. They indicate that much work still needs to be done to insure the rise of top-quality leadership within the major institutions of our democratic society. The major task lies in distinguishing between the qualities of successful leadership and the distortions which can arise within these dimensions.—DAVID G. MOORE

**REPRINTS** *of "Why Some Win, Others Lose" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H Street, N. W., Washington 6, D. C. Please enclose remittance.*



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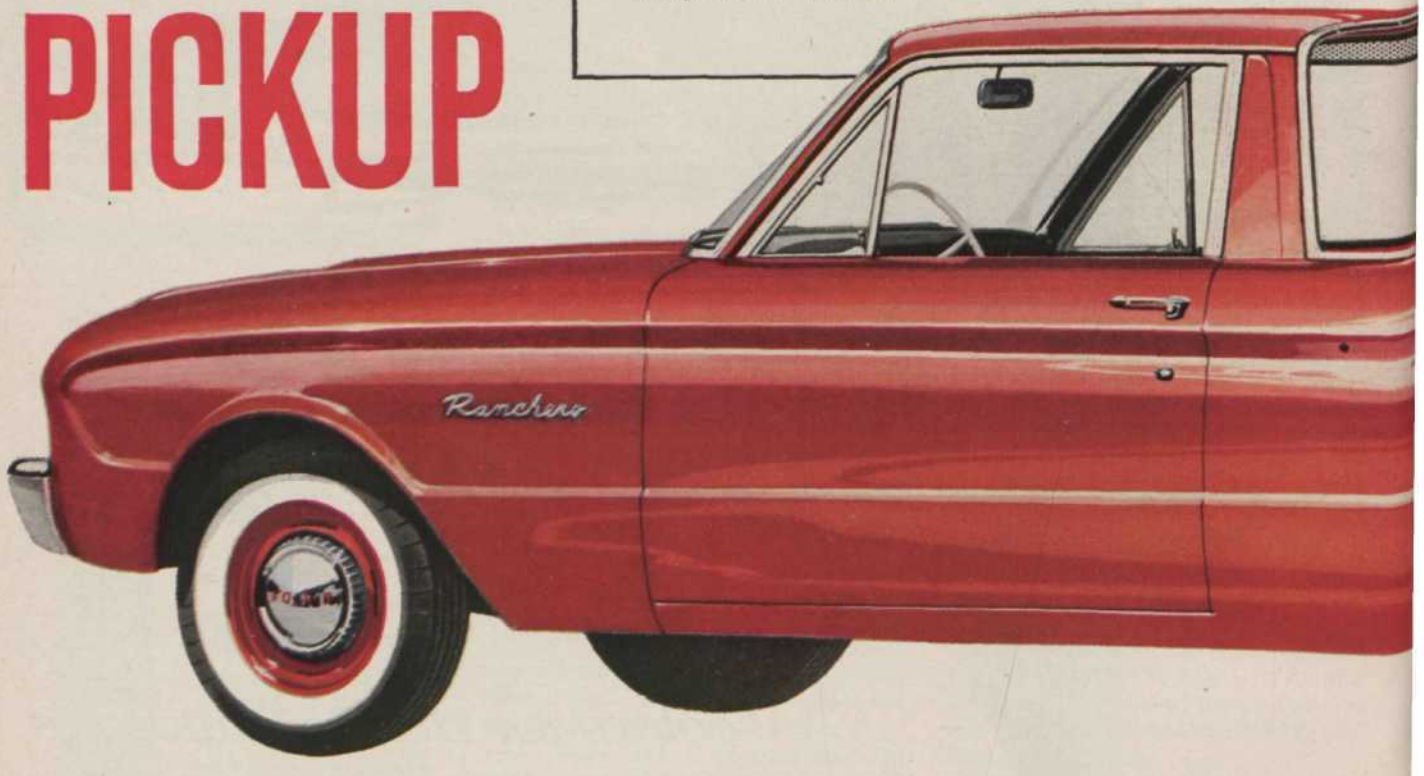
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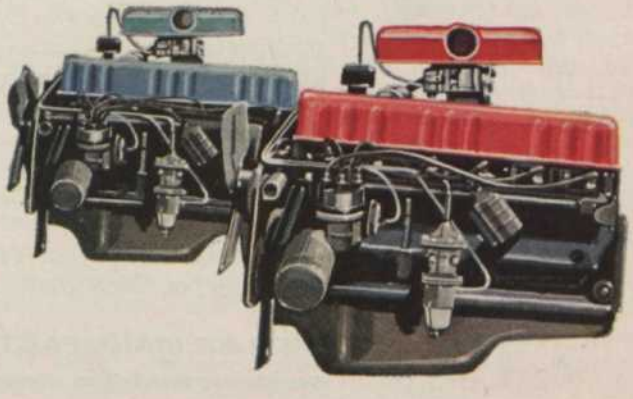
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HARD WORK is the surest formula for success in a business.

This is the majority view of executives answering a NATION'S BUSINESS questionnaire.

The survey participants were asked to name the single factor most helpful to them in their personal advancement.

"Hard work," or variations of that phrase, was the answer given by about 75 per cent.

Other factors which received frequent mention: Competent support; the ability to get along with and work effectively through other people; broad, varied experience; the influence of able business associates, and personal development through business reading and attendance at executive development seminars.

A Detroit banker said he reached the presidency of his firm by "giving my job top priority, realizing that my job provides for my home and my standard of living." He also credited "singleness of purpose" and the fact that "I love my work." The president and board chairman of a company in Indiana recommended, as his recipe for success: "Interest in your job, initiative, and a determination toward every assignment to do it better than it has ever been done."

Several executives stressed the importance of being willing to work long hours each week, and to make a formidable sacrifice of their personal life for job advancement.

A few said their success stemmed from the example of wise and understanding superiors.

Some of the comments were piquant. A retailing research director attributed his success to "curiosity." Another executive said: "A healthy disgust with organized reactionaryism and unionized stupidity." A utility executive commented: "Not letting prima donnas get the best of each other to the detriment of corporate progress." A San Diego businessman noted, "I have always felt that I was, in myself, my own security."

Then there was the president who said his success might be connected with the fact he had "a father who founded the business." END





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# Highway program:

# FUTURE HANGS ON QUICK ACTION

## Decisions of new Congress will affect taxes, city planning, economic growth

BASIC DECISIONS affecting the future of the interstate highway system must be made by the next Congress.

Plagued with problems ever since it was begun in 1956, the program now finds itself cramped for funds, the taxes reserved for highway financing inadequate, and one cent of the current four-cent gasoline levy due to expire with the current fiscal year.

The incoming Congress must decide whether the program is to be cut back, stretched out, or funds provided to keep it on schedule.

The decision will shift tax burdens, affect city planning, and have some impact on economic growth, in addition to its effects on highway users.

Congress has dealt with highway difficulties in temporary and piecemeal fashion in the past, but by January it will be helped by several important studies by the Bureau of Public Roads and the state highway departments.

### *What studies will show*

One of these will provide a new, detailed estimate of the cost of completing the program. Another will help answer the question: Who benefits from the highways?

The first will provide a basis for a decision on whether the interstate system should be completed in 1972 as originally planned, which might cost an additional $13 billion to $14 billion of federal funds, or whether work should be stretched out to 1977, or whether a compromise should be arranged.

The study of highway benefits will guide the decision on whether businesses and levels of government which benefit indirectly should share costs of construction with users who benefit directly. On this question much heat has already been generated.

The troubles which have beset the 41,000-mile interstate system have been mainly "rooted in money —or the lack of it," according to Commissioner of Public Roads Ellis L. Armstrong.

When the plan was started in 1956, officials set 1972 as the completion date and $27.5 billion as the cost. In the Highway Act of that year Congress committed the federal government to meet 90 per cent of the cost with states and localities putting up the remainder. To finance the federal share, Congress established a Highway Trust Fund supported by highway use taxes.

As originally planned, the income of this fund was expected to exceed expenditures in the early planning stage. This would produce a backlog from which money could be drawn as construction got under way and expenditures caught up with income. In addition, the Fund was empowered to borrow from the Treasury in the heavy construction years and to repay the money when enough roads were in use for their revenues to make the program self-supporting. However, the Administration charged the Fund at the outset with the cost of contracts let before the Fund was created. This made it impossible to build up an adequate backlog of money on which to draw. Then an amendment by Sen. Harry F. Byrd, Virginia Democrat, removed the borrowing privilege and put the Fund on a pay-as-you-go basis.

Before this program got off the ground, Congress added another 1,000 miles to the system. Then it was found that the total cost had been badly underestimated and that construction costs had risen faster than anticipated. A decision to provide more service to local communities to comply with the law as finally passed increased the number of traffic interchanges and also swelled the cost above preliminary estimates.

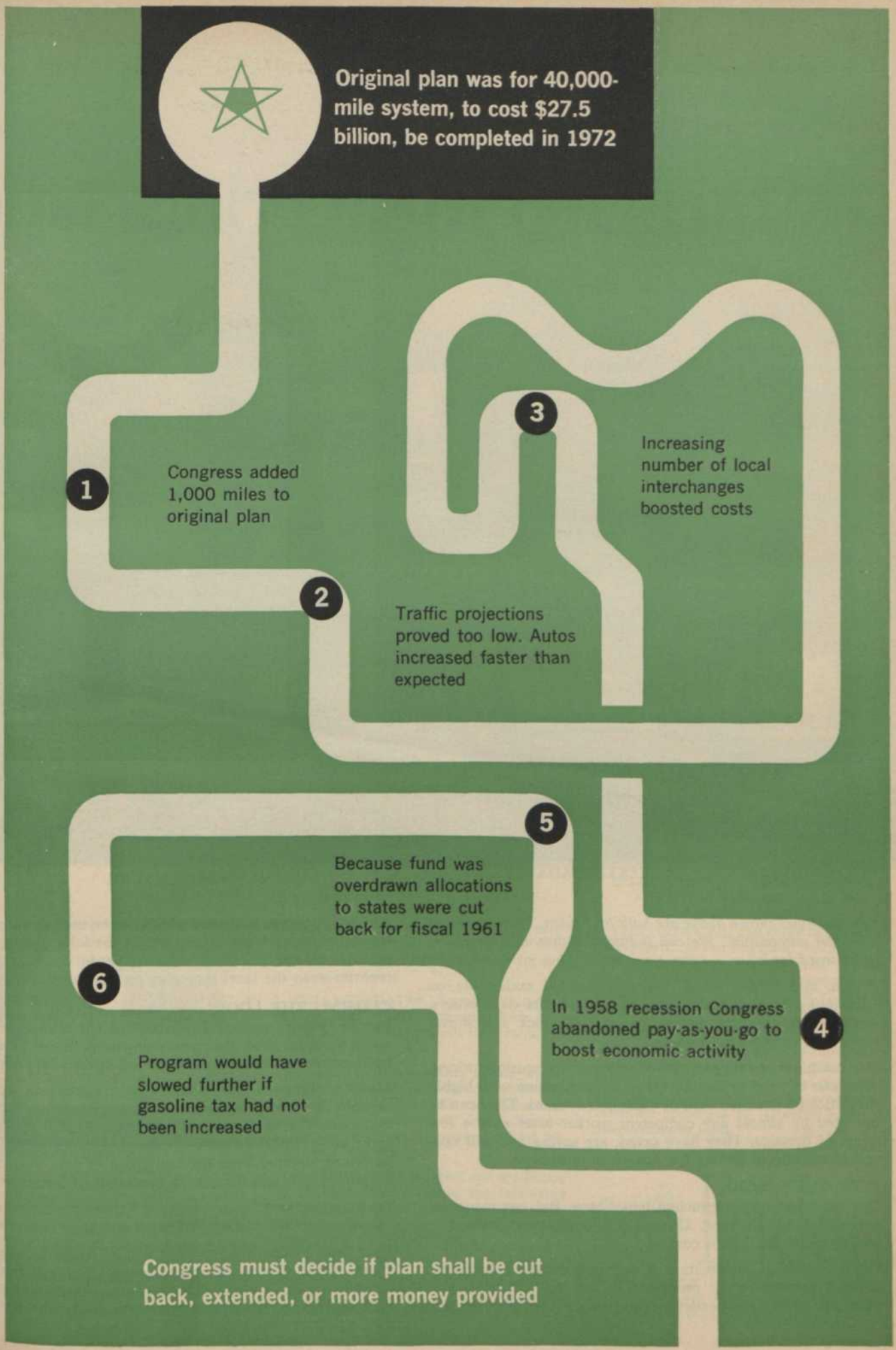
### *Projections were too low*

More trouble arose with the discovery that the traffic projections used in the original planning were too low.

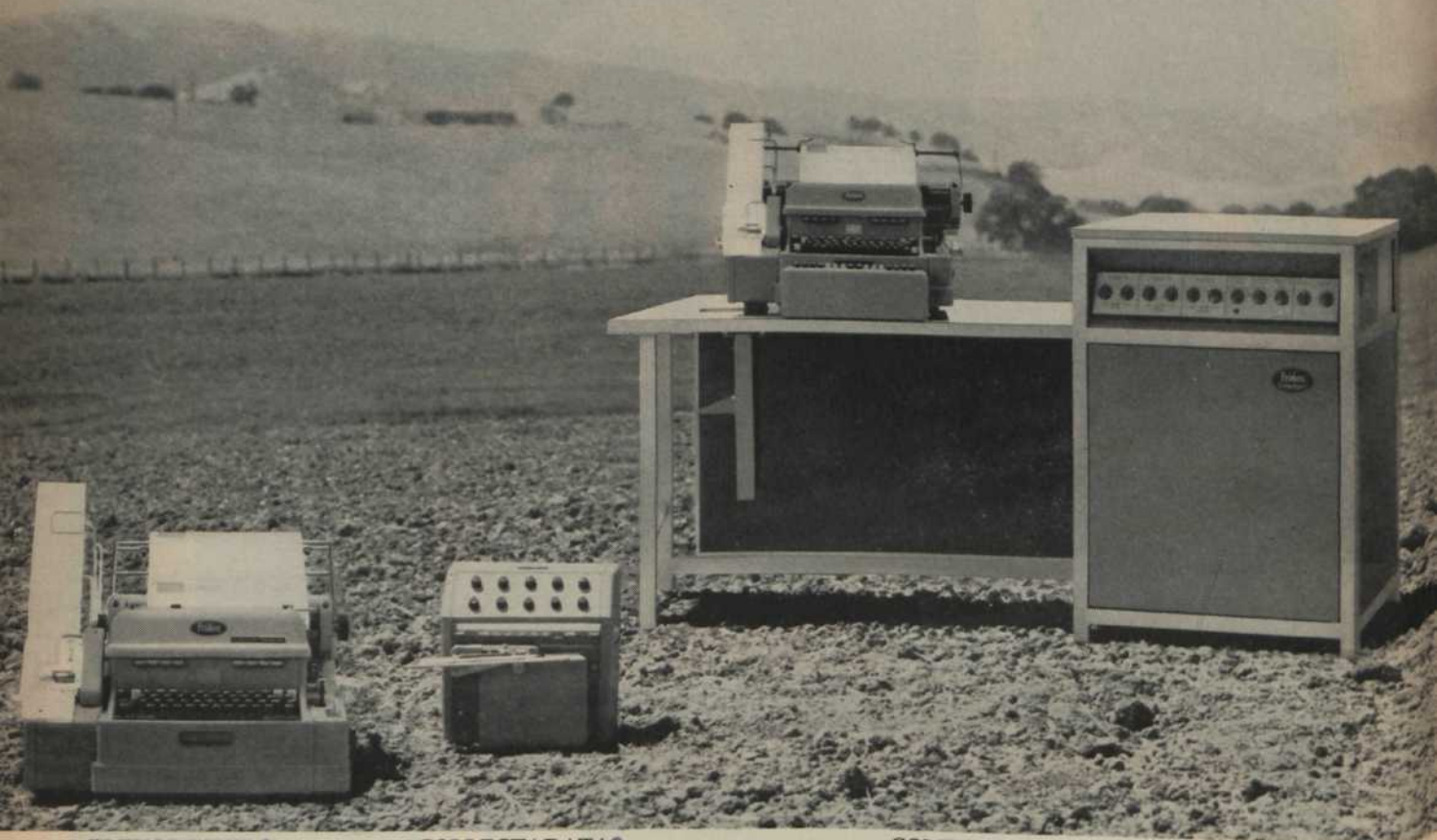
The program's financial difficulties were increased in 1958 by congressional efforts to use it as a recession antidote. In that year Congress suspended the pay-as-you-go provision for fiscal 1959 and 1960 and additional contracts were authorized, without additional funds being provided, to speed up road construction and boost economic activity.

The Highway Trust Fund was overdrawn by $1.5 billion during those two years. Return to a pay-as-you-go basis resulted in a cutback in allocation to the states for fiscal 1961 from $2.5 billion to $1.8 billion.

The program would have slowed further if Congress had not raised the gasoline tax one cent for


Original plan was for 40,000-mile system, to cost $27.5 billion, be completed in 1972
1
Congress added 1,000 miles to original plan
2
Traffic projections proved too low. Autos increased faster than expected
3
Increasing number of local interchanges boosted costs
4
In 1958 recession Congress abandoned pay-as-you-go to boost economic activity
5
Because fund was overdrawn allocations to states were cut back for fiscal 1961
6
Program would have slowed further if gasoline tax had not been increased
Congress must decide if plan shall be cut back, extended, or more money provided

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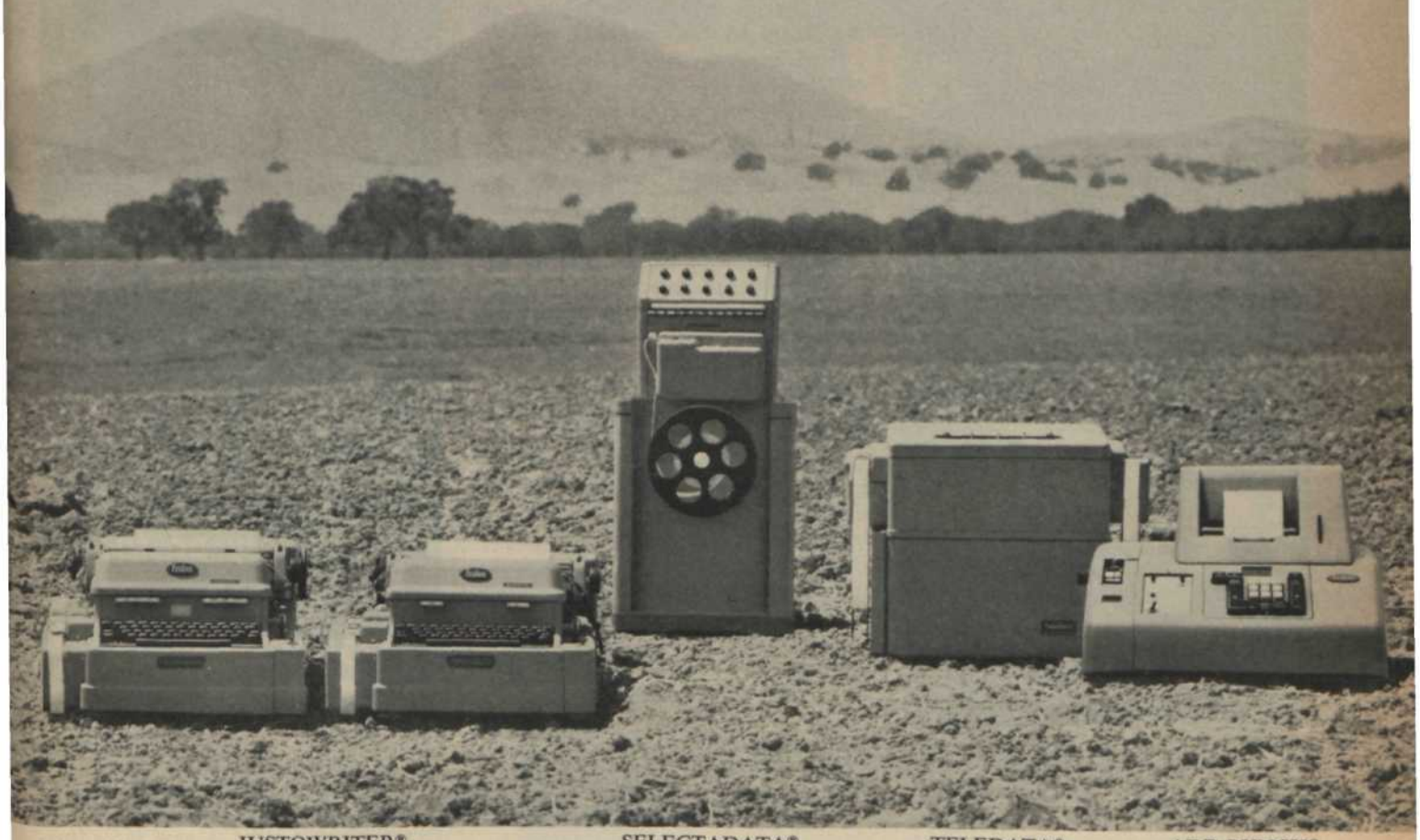
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## HIGHWAY PROGRAM

*continued*

the two years ending next June 30. At that time compensating revenues from excise taxes on new cars, parts and accessories will be shifted for three years from the general fund to the Highway Fund. Allocations for fiscal 1962 will be back at the scheduled level of $2.2 billion and, under present plans, so will allocations for fiscal 1963.

Highway expenditures play an important part in economic growth.

Just as it takes one-half pound of steel and one and a quarter kilowatt-hours of electricity for each dollar of total national output, we use more than 1.4 vehicle miles of highway traffic to turn out one dollar of goods and services.

So, if our total economic growth averages four per cent a year for the next five years and highway traffic grows at only the same rate—instead of much faster as it has usually done—our highway system must be able to handle a growth averaging more than 30 billion vehicle miles per year during that period.

It takes about 1.9 cents expenditure per vehicle mile traveled to maintain current highway capacity of all kinds and provide for four per cent growth. With traffic now running about 725 billion vehicle miles a year, this would require revenue for this year of about $13 billion. Total highway funds raised this year will approximate only $11 billion.

### What users pay

Highway users are spending more than $43 billion a year to drive their own cars and trucks and about $1 billion to ride buses and taxis. Industry spends about $5 billion for highway freight transportation. Governments borrow about $1 billion extra each year to spend on highways.

These outlays total $50 billion a year, or 10 per cent of the total economy. This is almost equal to the total volume of new construction, both private and public. It is more than double all expenditures for producers' durables. It is about equal to total federal defense purchases of goods and services.

Because of the interstate program's money problems, federal highway officials now estimate that the system will not be completed until 1977, unless the present yearly rate of spending is increased. Total cost estimates currently run as high as $41.5 billion.

Thus Congress faces the choice of extending the completion date or





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increasing the rate of spending. A compromise which includes some increase in funds and some extension of time is a possible solution.

Extending the completion date seems certain to raise costs. It would have a collateral effect on city planning.

The growth of major urban areas from 1950 to 1960 was double the growth rate of the country as a whole. This growth is going to continue. If highway development is postponed, this urban growth will become haphazard and inefficient. Pressure for new traffic routes will demand some kind of roads. When the interstate system is finally built, new urban values will have been created. The land assembled for highways will cost more. Additional buildings must be removed or destroyed.

People must be moved. New facilities must be built in the areas to which they move.

Well planned and early acquisition of rights of way and building of traffic lanes permit cities to grow efficiently. If roads are well laid out, residential neighborhoods are built to serve employment and service areas. Shopping centers can be located in relation to areas where the new population growth will occur, and easy access to the shopping centers, as well as employment centers, is possible.

Urban traffic capacity should have increased by two thirds between 1950 and 1960, but highway capacity as a whole grew only about 50 per cent and most of this expansion was in rural areas.

### *City routes stir debate*

Because urban highways, cost more to build than rural highways but less per mile of travel, the question of whether highway connections in and around cities should be part of the interstate program has caused hot debate and will probably cause more. Urban sections now included in the program constitute 11 per cent of the total mileage, account for half the cost, and facilitate over half the travel.

Because our economy is now about 95 per cent nonfarm, a program to provide adequate highway capacity for such a highly urbanized nation must be primarily an urban program.

Use of urban roads and streets is so much more intense that the cost per vehicle mile of well located and designed urban capacity is less than that for most rural capacity. So the value received per dollar

*(continued on page 98)*





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# BUILD THE WILL

## Apply these seven leadership skills to increase cooperation by employes

HOW CAN I step up my employes' efforts?

You may have often pondered this question without realizing how frequently it is posed by seasoned managers as well as novice supervisors.

Analysis of hundreds of industrial executives shows there are seven powers of motivation possessed by successful leaders. These are:

1. Ability to arouse self-involvement.
2. Ability to give freedom and keep control.
3. Ability to identify with others.
4. Ability to give credit.
5. Ability to show confidence.
6. Ability to assign blame
7. Ability to instill fear.

## The leadership process

Leaders are men, in effect, with different sets of keys who want to open doors.

Each leader is confronted with locks that have many features in common, yet each is intricately unique. His set of keys has no value unless the owner can find and use the ones that fit each lock.

Just as it is impossible to understand the process of opening doors by studying only descriptions of various keys, we cannot understand the dynamics of the leadership process by treating leader characteristics as static entities. Instead, they must be viewed as links of a reaction in which the expression of these attributes mobilizes the needs of subordinates, thus producing increased motivation.

### 1. *Self-involvement*

One basic concept should be thoroughly mastered by all men who aspire to top executive positions. That is the concept of ego-involvement.

This simply means that a task becomes important to a person. We work more effectively doing a job we want to do and that we feel is ours, as opposed to something someone else wants us to do.

Just as people invest themselves more intensely in tasks that they like, they also prefer to perform in an area where they feel competent. Give three different men the same job, and each will handle it differently, according to his experience and aptitudes. The aspects of the job to which each assigns the highest priority will often fall more in line with his likes than with objective job requirements.

Lack of involvement is manifest in psychological withdrawal from the job. Buck-passing is an example. People who work in a perfunctory way will often claim that they are only carrying out an assignment because somebody higher up wants it done.

"What top management wants" is too frequently a complaint of everyone from the foreman up to the VP's. The weak president tells his men, "I don't want this; the board of directors does." The lower the level of management where the buck stops, the healthier the organization.

How do you apply the principle of ego-involvement in day-to-day supervision? As far as possible, have a man devote a fair balance of his time to tasks which he likes and does well. At the same time, help him become competent in areas where he is weak and have greater tolerance for areas he dislikes.

Instead of ordering, try suggesting and recommending. Plant thought seeds so that ideas will not be



# TO WORK

yours, but the inspiration of your subordinate. We are all unconscious plagiarists and it is easy for us to make an idea or a project "ours" with unobtrusive assistance from the boss.

Let a man criticize or question certain assignments. Though no change in the plan can be made, it is still best to let subordinates feel they have had a chance to have their say-so, in order to avoid the feeling that something has been rammed down their throats.

Always try to let a man know the outcome of work assigned to him. Often he will just be doing a small part of a large project. When he becomes involved in work, he is anxious to learn about the final result. If he doesn't have this knowledge, his motivation is lessened.

Sometimes you must order a person to do a given job in a given way, and in some cases you can't relay back to your people the real outcome of their work, so the suggestions given above must be tempered by practicality.

**2. *Give freedom, keep control***

Delegation fosters a feeling of confidence in the subordinate; it is evidence that someone has faith in him. It gives him an opportunity for independence and individual expression. It gives him a chance to learn, a feeling of progress, and the opportunity to make a contribution which he can call his own.

Although it is a vital factor in motivation, delegation is difficult for many managers. Why?

These individuals are afraid that, as a result of delegation, something will happen that will seriously jeopardize their position. They imagine all kinds of unhappy consequences if they give up part of their responsibilities.

Emotionally, these men may be too cautious; they may underestimate their subordinates; their need for power may be too strong. Intellectually, they view delegation as a lack of control. Nothing could be further from the truth. Delegation and control are inextricably linked. To delegate is to gamble, but a system of control is the manager's method of keeping the odds in his favor. The good manager delegates only after he has set up controls which will enable him to take corrective action if things go wrong.

Four factors are important in delegating:

1. The subordinate must be thoroughly trained.

2. He must be given responsibility in a step-by-step fashion.

3. His mistakes must be corrected and successes recognized as he moves along.

4. At each juncture, the delegator must have controls set up so he can move in to prevent any action that would seriously jeopardize the future of himself or his subordinate.

The manager who fails to delegate endangers his position more than the one who doesn't, as illustrated by this axiom of E. H. Bellows, director of personnel for Olin Mathieson Chemical Corporation: "Find the indispensable man—then fire him."

**3. *Identify with others***

Positive motivation grows when a man feels that he is not just another number, or just a stepping-stone for his superior's rise to power, but that he is valued for his unique qualities as an individual.

One of the country's top sales executives is eminently successful in motivating people. He is a man who has an unusually strong need to be liked and respected. He radiates warmth and takes a sincere interest in the personal fortunes of his people. They work harder because he likes them and they like him.

Although a marvelous personal salesman, he has some weaknesses. To compensate for them, he makes maximum use of subordinates whose skills comple-



ment his own. By showing them his indebtedness, he gives them a feeling of real importance. Thus his skill in motivating others helps balance his weaknesses.

Many intelligent and ambitious men fall short of their goals precisely because they are either low in warmth or inhibited in expressing it.

They are too serious to engage in chitchat and to bother with amenities, or too busy to take the time to give someone a pat on the back. They tend to regard such activities as frivolous. This is a gross misjudgment of the rich profits to be gained from the investment of a small amount of time in just being friendly.

Many executives of this type become frustrated. Because of a lack of awareness of the importance of building social bridges or an inability to add the personal touch, they fail to attain the position of leadership they seek.

The executive often must walk the tightrope between the best interests of the individual and those of the company. One day he may persuade a man to take on a difficult or unpleasant assignment because it is in the best interest of the company. The next week, a different subordinate may receive a good job offer which is really a better opportunity for him and the manager may wisely refrain from pushing the company cause too far, even though it would be to the company's advantage to keep the man.

The good leader almost always creates the feeling among his subordinates that the best interest of individuals has top priority.

#### 4. *Give credit*

In a recent study conducted by Dr. Fredrick Herzberg of Western Reserve University, recognition was found to be one of the most significant factors contributing to the motivation of professional personnel. It was more important than responsibility, salary, advancement, or work itself.

In this study, recognition included both positive and negative aspects—acts of praise or criticism were placed in the same category, for example. However, since the abilities to give credit and blame are separate rather than similar attributes, it is necessary to consider the positive and negative aspects of recognition as distinct entities.

Recognition is vital because it not only gives the individual a feeling that his efforts are appreciated, but affords him a benchmark as to his progress. Almost everyone is anxious, to one degree or another, about his performance. When anxiety is high, the person needs frequent praise and intermittent reassurance to allay his fears. When anxiety is low, the person does not need it. He can rationalize that the boss will tell him if he is not doing a good job, and otherwise he will assume that his performance is satisfactory.

The value of praise as a technique of motivation is in direct proportion to the importance of egotism in the make-up of the normal person, and the egotism of man is immense.

**Do your salesmen** have what it takes to sell effectively in today's market? You'll find the answer by turning back to **page 42**

Who is not moved by flattery? A compliment, even when we doubt its sincerity, has an exhilarating effect.

In spite of its importance, the ability to give praise or credit is lacking in many managers.

There are two types of executives who fall down in this area. They make the same mistake, but for different reasons. The error is that they treat others as they expect to be treated.

The first type is a highly self-sufficient and confident man who has so much self-assurance that he needs little from the outside. Assuming others are like himself (or, if not, that they should be), he finds no need to give praise.

The second type is the guilt-ridden person who rarely attains the standards he sets for his own performance. Since he never thinks he has done a good enough job, he rarely feels that the other fellow deserves a compliment.

Consequently, subordinates don't get the credit they deserve and morale suffers.

#### 5. *Show confidence*

A prime requisite of leadership is self-confidence. Those who follow need to have faith in the person who is guiding them. They need a sense of purpose and direction. They need someone to make vital decisions, someone to turn to for help and advice.

Historically, men who have attained the pinnacle of authority—men like Churchill, Hitler or Roosevelt—have possessed an abnormal amount of self-confidence. Confidence breeds confidence; a leader may give people courage that they otherwise would not have had.

Competence in a particular field engenders confidence, but it's not as essential for the leader as is sometimes assumed. The top salesman, expert engineer, or brilliant researcher may be very competent in his specialty but very low in managerial skill. Conversely, the adroit manager often is not as competent as some of his subordinates in their fields. Competence in dealing with people frequently has more value in the job market than technical proficiency.

There is a significant difference between confidence that is openly manifested and that which is not. All strong leaders are manifestly confident. That is, whatever the real level of their confidence, they appear sure of themselves. A person who has serious doubt about his ability may nevertheless present an outward picture of calm assurance which enables him to assume the role of leadership. Conversely, the man who feels it inwardly may be unable to project or communicate his confidence and therefore is unable to lead.

In industry, the assurance of a superior makes subordinates feel that he will fight for their welfare or the demands of the department. His confidence is strong enough to override their fears and doubts and this gives them a healthy sense of security. [See "How to Build Self-confidence," NATION'S BUSINESS, July 1960.]

#### 6. *Assign blame*

An employe needs feedback to assure him that he is going in the right direction. To a large extent, he must rely on his boss for this feedback.

Positive feedback—recognition, praise, and rewards—reinforce his drive to continue in the proper direction. Negative feedback—criticism, correction, and punishment—teach him what not to do.

Thus, credit and blame are motivational guideposts of equal importance.

Subordinates need the assurance, the sense of security that they will be told of specific mistakes and will be informed if their general per-

*(continued on page 74)*

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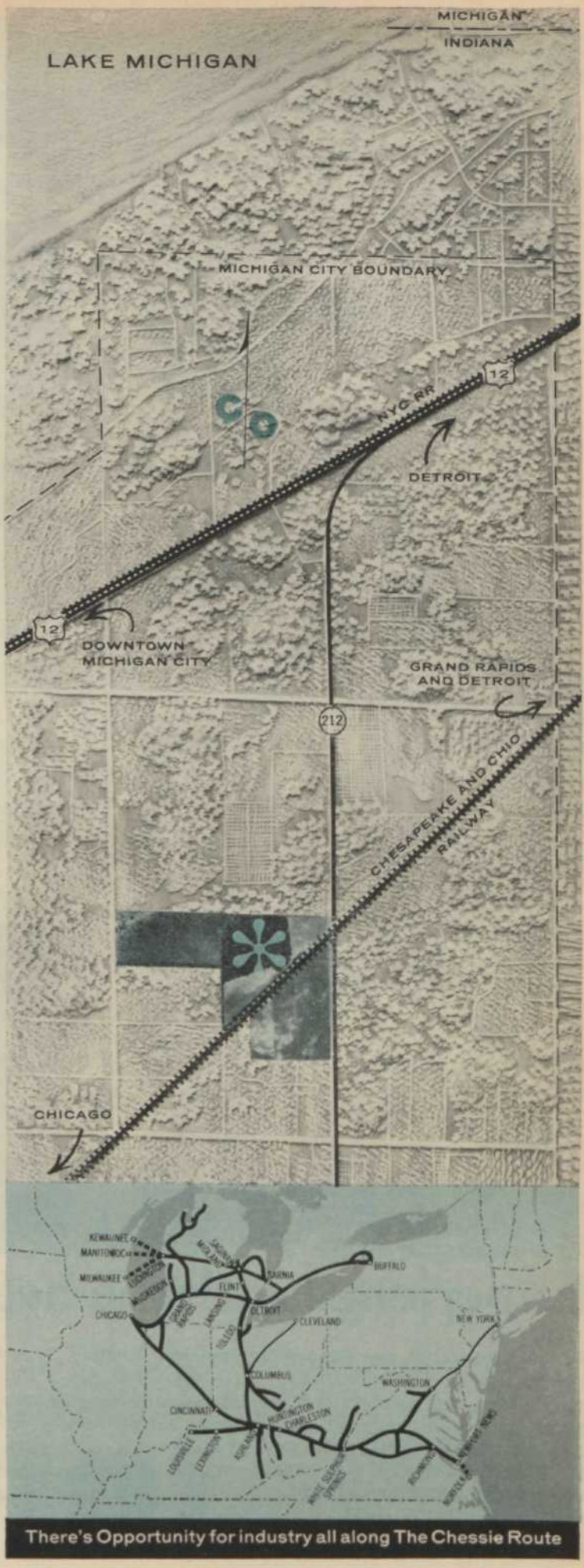
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## WILL TO WORK

*continued*

formance falls below par. If they are sure they know how they stand with the boss, they have the confidence necessary for decisive action.

In one family-owned concern, the boss was a rough and outspoken person who would give his foremen a good dressing down when they deserved it. His son was afraid to express anger directly. He would become displeased but not tell people to their faces. The men respected the father and felt secure in their jobs. The son was disliked and mistrusted.

From a psychological point of view, people normally expect to be reprimanded when they have done wrong. Criticism relieves their guilt feelings.

Some people are not so conscientious and are less prone to feel guilty when they make a mistake. If these people are not criticized, they exploit what they see as a weakness on the part of their superior.

### *7. Instill fear*

Although it is not commonly listed as a leadership attribute, the ability to instill fear can play a predominant role in specific cases, and is an important factor in motivation.

This ability is often highly developed by production men. Ancestrally linked to the old-line foreman who used the threat of bodily harm, the use of fear is now much more refined and subtle, more psychological than physical.

One plant manager of a Connecticut rolling mill typifies the hard-as-nails approach. He deliberately frightens his people, to keep them on their toes. For instance, even when he is pleased about the low loss due to scrap, he will examine the scrap pile, muster a scowl of intense displeasure, and walk off without a word.

By such actions, he instills fear, and fear is the father of respect. His subordinates begrudgingly admire his business acumen and dedication to work.

They recognize how much they have learned from him. But, they work harder primarily because they are afraid.

Evaluating this individual in terms of our seven attributes, we would find him high in confidence, ability to assign blame, and ability to instill fear.

In a general sense, any successful motivator generates a certain

# Every mailing meant a mob scene!






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*The 3100 Inserter is a larger, high capacity model, that will stuff up to six enclosures, at speeds as high as 6,000 per hour. It can also be attached to a Pitney-Bowes postage meter mailing machine that meter stamps and seals envelopes after stuffing.*

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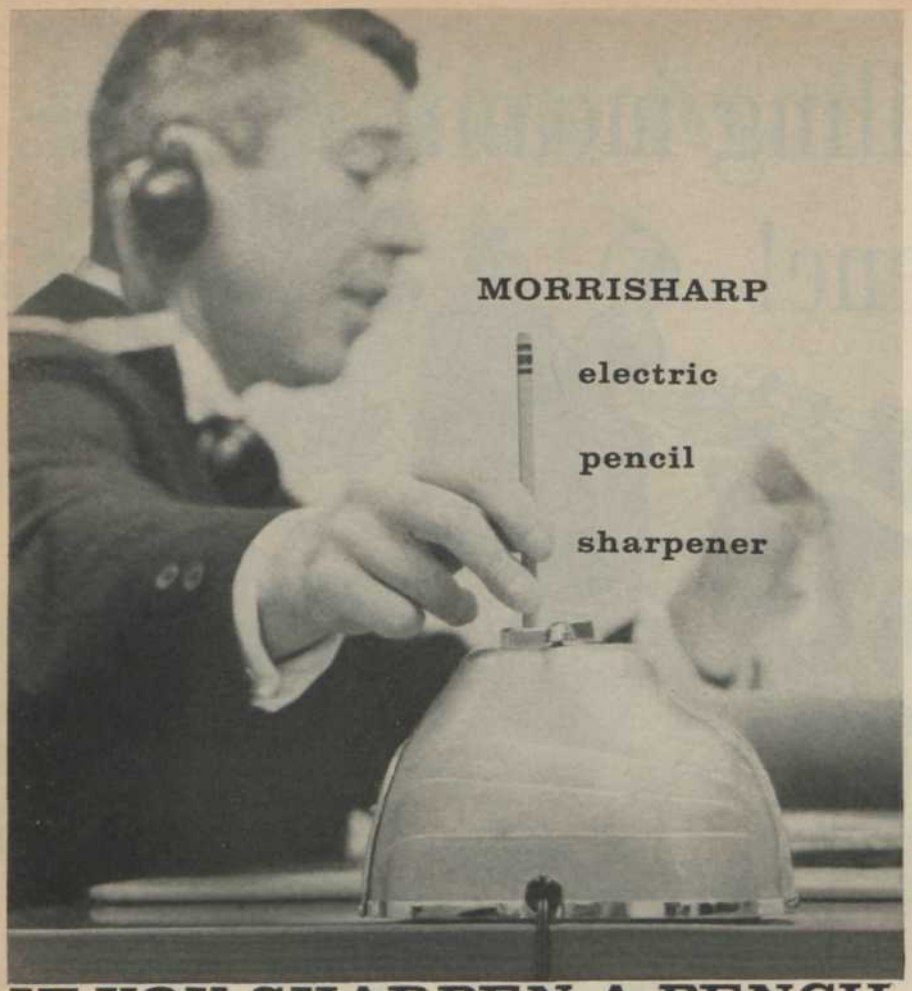
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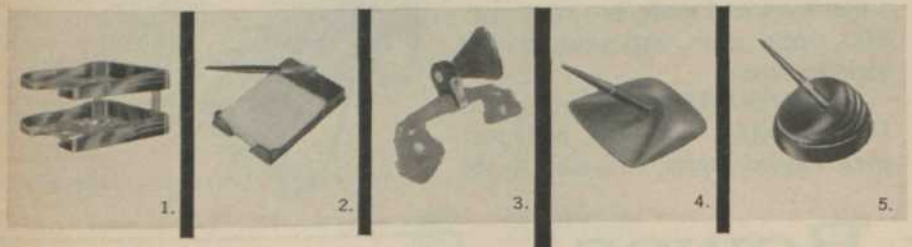

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## WILL TO WORK

*continued*

amount of apprehension. The manager is a pressure transmitter. He must be tough and demanding. His people must be certain that he has not only the authority, but the courage to discipline them.

People need discipline. They need to have a realistic awareness of the consequences of poor performance.

Assuming you belong to the majority of executives who like to step up the work motivation of their men, how can you benefit most from the observations presented above?

Here are four things you can do.

First, don't glibly tell yourself that you rank reasonably well in all categories. Instead, give some serious consideration to each point. There are two questions which may give you further insights.

What action on the part of your superior either increases or decreases your motivation? What are the differences between the way your superior treats you and the way you treat your subordinates?

Second, study the concept of ego-involvement and check to see how well you apply it.

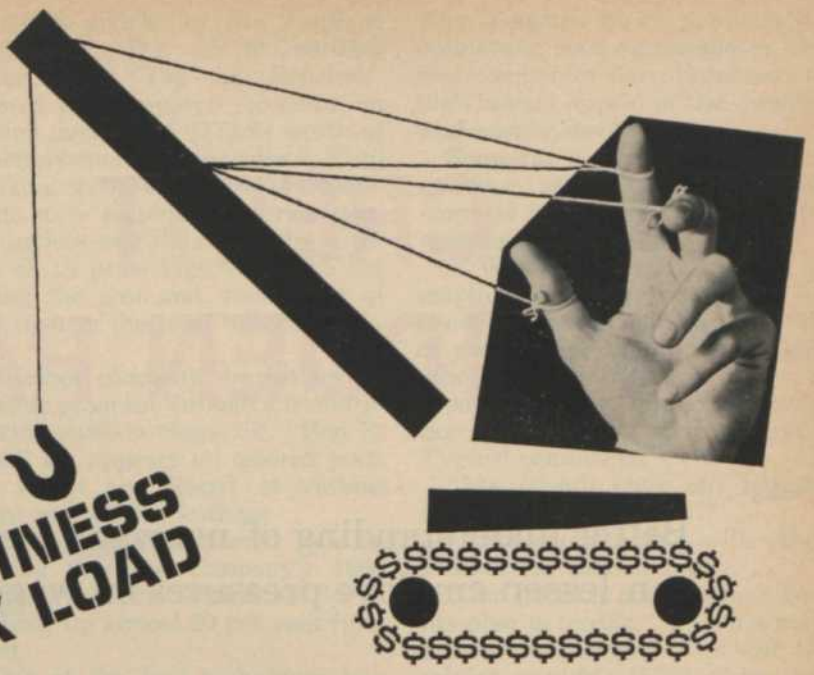
Third, find the leadership approach that fits your personality, the one most natural for you. It is up to each person to capitalize on those tendencies which help him to be an effective leader, and to attempt to limit or modify those characteristics which do not produce the results he seeks.

Fourth, a concerted effort must be made day by day to become more sensitive to the needs of your subordinates, to find their motivational touchstones. In doing so, guard against the natural tendency to expect people to be like yourself. After all, if they had been as ambitious, confident, enthusiastic and hard-working as you are, they might have been given your job.

But if you use the keys to increased work motivation, you can have employes who will assume greater responsibility, labor with more enthusiasm, correct their deficiencies, use more initiative, follow directions better, and attain goals more effectively than ever.

—EDWIN M. GLASSCOCK
*Consulting psychologist*

**REPRINTS** *of "Build the Will to Work" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H Street N.W., Washington 6, D. C. Please enclose remittance.*




ONE of the strangest stories in America is the federal government's rise to power *in business*. Just 27 years ago, a Congressional committee counted up 232 government business enterprises left over from World War I. Today, there are some 19,000 commercial and industrial activities in the civilian branches of government alone!

Businessmen who have to face subsidized competition have many colorful names for it. But most agree it marks a dangerous trend toward a socialistic U.S.A., a threat not only to individual freedoms but to the whole American free enterprise system as well.

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This so-called "public power" has cost more than $5,000,000,000 of the taxpayers' money—including about $1,900,000,000 collected from business.

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# TAKE CREDIT FOR HIDDEN PAY

## Better understanding of nonwage costs can lessen employe pressures on wages

EMPLOYES of private industry now receive about $52 billion worth of nonwage benefits annually, but few of them are aware of it.

The price tag alone should encourage employers to do a better job of reminding them. The cost breaks down to 19 per cent of the average payroll (see "Why Nonwage Costs Are Rising," NATION'S BUSINESS, August 1960) and is still rising.

Another impetus to better employer communication on this subject, however, is the legislative push by the AFL-CIO to integrate employe benefits into the Davis-Bacon Act and the Walsh-Healey Act. These laws currently require payment of the prevailing local wages by contractors doing government-financed construction work (Davis-Bacon) and on companies with government contracts (Walsh-Healey).

Prominent in the 18,000-word recommendation submitted this year by AFL-CIO President George Meany to the Democratic Party Platform Committee was the demand that government contractors covered by Davis-Bacon or Walsh-Healey also be required to meet "not merely the prevailing hourly wage scale, but all prevailing pay practices, including payments for health and welfare, retirement, vacations and overtime."

Meeting "all prevailing pay practices" would mean a whopping additional cost burden to many employers, especially small operators who already face the threat of a higher minimum wage. It would push national employment costs higher still in the inflationary spiral.

The cold facts are, however, that this backdoor approach to higher minimum employment costs and more inflation might eventually be rammed through Congress as a result of a general lack of public and employe understanding of the costs now involved in these pay practices, which are called employe benefits.

One research survey, for example, showed that 50 per cent of employes questioned felt that benefits could be increased without causing more inflation, while only 17 per cent felt that wages could be increased without bringing the same result.

The same survey revealed that the average worker estimated the cost of his benefits package at 11 cents an hour. This compares to the more than 62 cents an hour actually spent in 1959, according to a U. S. Chamber of Commerce survey of 1,064 companies. Other surveys have made it clear that:

—Employes generally are not aware of the substantial income they receive in the form of vacations, pensions, insurance, holidays, rest periods, social security, unemployment compensation and various other benefits.

—When employes have become informed through well planned, aggressive communication programs, their appreciation of the benefit package rises sharply.

With so much of total payroll going to benefits, how can employers do a better job of impressing the fact on employes? There are four major ways:

- Dramatize the cost and usefulness of benefits.
- Use the right words.
- Tell the community.
- Personalize the story.

If your company isn't already stressing the size of its benefit package the techniques used by various companies may be of help.

### *Dramatize cost and usefulness*

Merely to report the financial facts about your benefit program is not enough. Such reporting is essentially dull and is likely to have little impact on employes whose attention is courted by a barrage of imaginative messages from magazines, radio, newspapers, television and your own employe publication.

A chemical company in the Midwest, for example, developed a method of visualizing the cost of employe benefits. Since benefit payments were averaging about $30 a week per employe the company prepared a display using real money as the attention-getter. The display case was placed at the entrance to the plant cafeteria, and 30 one-dollar bills were used as a border for a brief message reminding employes of the cost and extent of their benefits plan.

Changes in your benefit plan provide an opportunity to dramatize the whole package. For example, employes of an insurance firm recently received a phonograph record in the mail. On the cover was a bright illustration and the title "An Umbrella of Security Is Coming Your Way." The record included a personal message from the firm's president. It began:

"I appreciate the opportunity of talking to you in your home about the most important changes ever

made in our employe benefits program. Our companies want you and your families to know about these changes. For, in that way, you can make them a part of your own personal security plan.

"But before I tell you about the changes, let me tell you about our employe benefits program—why we have it and how it developed . . . "

The message gave the history of the plans and explained the new features. This effort was followed by articles in the employe publication.

A St. Louis department store used a teaser campaign to focus attention of personnel on the cost and value of their benefits. Employes were exposed in various ways to the riddle: "What costs you nothing—is worth more than $2.5 million annually—and is used in some way, hundreds of times each day, by our employes?"

After curiosity was sufficiently whetted, the answer was given in a two-page article in the employe publication. The article, entitled "That Price Tag on Benefits," showed how employes received an annual average of $773.99 worth of benefits beyond the paycheck. Capitalizing on the awareness of department store employes to price tags, the article was illustrated by a series of 13 price tags with each tag giving the cost and description of one item in the total benefits package.

Another company dramatizes its benefits program through a friendly-looking cartoon character, "Ben E. Fitz." He appears on colored posters which are placed at various plant and office locations.

A recent poster showed Ben reporting that the company's 1960 employe benefits totaled nearly $5 million, up almost 20 per cent from 1959.

One of the best techniques you can use to dramatize the value of your benefits is to publicize the opinions of your own employes. Several companies have harnessed the high-impact appeal of the question-and-answer device.

Some run a regular feature in the employe publication which gives employe answers to benefits-slanted questions.

A West Coast company, for example, asked: "How does your benefits package compare with that of people you know who work for other companies?" Answers were reproduced in the employe publication, with names and photographs. Typical comments:

"My friends envy our hospitalization insurance. . . ."

"After comparing it with others, I think our plan is tops. . . ."

"Our pension and employe benefits plan is terrific. . . . It's a major reason why so many of us with long service wouldn't think of leaving."

Here are other techniques used

Price alone should spur employers to explain benefits. It comes to . . .

**19 %** of average payroll

Average worker figures benefits' cost at

**11¢**

per hour.

But study shows it is more than

**62¢**

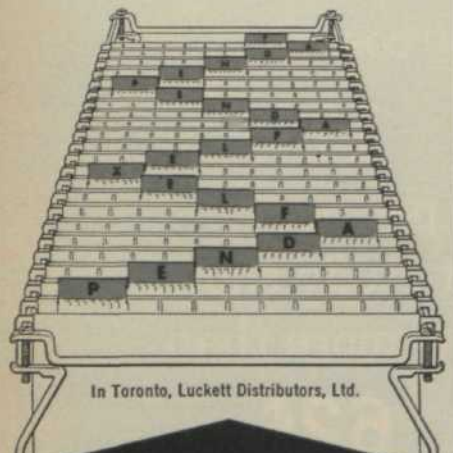
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## HIDDEN PAY

*continued*

by various companies to dramatize their benefits plans:

One company made its announcement of increased premiums for its contributory medical insurance plan do double-duty. In addition to giving the reasons for the higher rates, the announcement stressed the value of the plan by presenting, in cartoon-and-chart form, comparisons of actual costs of hospitalization expenses.

Another company publication ran a two-page spread featuring a huge umbrella covering thousands of workers. Each ribbed section of the umbrella identified one portion of the benefits plan, and a single line of bold type read: "This year it will cost $143 million to give employes the coverage of these benefits."

A power company runs a feature entitled "Did You Know . . ." in its employe publication. In one issue the illustrated text called attention to a new record for cash payments for hospitalization, surgical and major medical claims.

An Ohio company sponsored a photo-quiz in which prizes were given to employes for correctly identifying various photos which had previously appeared in the company publication; several of the photos showed employes enjoying some phase of the benefits program.

### *Use right words*

Problems of semantics have long plagued managers who try to communicate effectively on business-related topics. But in no area is this more apparent than in communication on employe benefits.

Referring to employe benefits as "fringe benefits" is probably a mistake. "Fringe" suggests something that is marginal—of little real value.

Opinion Research Corporation used two statements in a recent test of worker reaction to key words:

Version No. 1: "Last year, the Midstate Oil Company paid employes $24 million in wages and salaries. In addition, the company contributed $15 million in hidden wages and salaries. Compared to a year ago, this represents a two per cent increase in fringe benefits."

Version No. 2: "Last year, the Midstate Oil Company paid employes $24 million in wages and salaries. In addition, the company contributed $15 million to employe pensions, hospitalization and insurance plans. Compared to a year ago, this represents a two per cent increase in employe benefits."

Matched samples of employes were shown what appeared to be newspaper clippings containing one version or the other concerning this mythical company. They then were asked to select statements which they felt, in the absence of any other information, would best describe the company. Sixty-two per cent of those exposed to version No. 2 checked the statement "has liberal benefits," as opposed to only 42 per cent of those who read version No. 1.

Thus, phrases such as "fringe benefits" are likely to create an undesirable image and communication efforts by employers should carefully avoid them.

One employer in New England tackled this problem of semantics directly. An editorial in the employe publication was entitled "When Is a 'Fringe' a Real Employe Benefit?" The story told of practices, common in Europe, by which employes get only about 50 per cent of their earnings in pay—with the remainder going for fringe benefits in one form or another. The editorial concluded:

"In our company, 20 per cent of what you earn already is devoted to pensions, hospitalization and insurance plans, vacations and other kinds of benefits. These, of course, are worth while—but they are not 'fringe,' they are expensive employe benefits. They are growing in size and cost, and every additional dollar we put into employe benefits is a dollar that otherwise would be added to paychecks."

One company directly attacked the problem of misunderstanding with a series of messages entitled "Joe Fringe is Gunning for Your Wage Increases." The message spelled out the high costs of union proposals for a guaranteed annual wage and pointed out how this pro-

**What happens to business** in the coming months depends largely on what consumers, business and government do. For an informative forecast of probable trends, turn back to **page 37**

# WHY THE JOHN HANCOCK FOR GROUP INSURANCE?

## Not for one reason alone, but for many reasons.

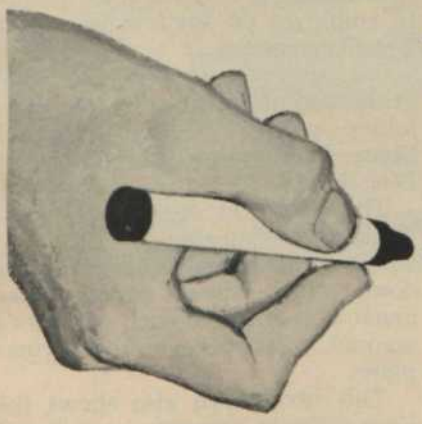
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**EXPERIENCE** Now on the threshold of a century of service. More than 7,000 firms and organizations covered by John Hancock Group Insurance.

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**VARIETY OF COVERAGE** Group Insurance and Pension Plans to meet every need. Separate departments to deal with many different kinds of specialized programs.



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COMPANY_____

ADDRESS_____

## HIDDEN PAY

*continued*

posal, if granted, would mean less money in the paychecks of all employes.

Another company used a slick combination of humor and facts to focus attention on the shortcomings of the term "fringe benefits." A cartoon in the employe publication showed two pensioners on a Hawaiian beach, appreciatively watching two grass-skirted girls dancing the hula. The tag line: "I didn't realize the meaning of fringe benefits!" Next to the cartoon the monetary value of the company's employe benefits was itemized.

### *Tell the community*

Many companies have learned that a good way to build employe appreciation of their benefits program is to supplement direct-to-employe communication with a well-planned effort to gain community understanding. If friends and neighbors comment favorably to an employe about his company's benefits plan, his satisfaction is likely to increase sharply.

A branch-plant manager of a large manufacturing company, for example, tells how a community relations effort gave an unusual boost to employe appreciation of the benefits package. The plant has participated for a number of years in chamber of commerce-sponsored Business-Education Days. When local teachers visited the plant, they heard a talk on the benefits program.

A young, short-service man who worked on the manufacturing floor excitedly cornered his foreman one day—and the gist of his conversation was:

"Say, I never paid much attention to that booklet you gave me on the benefits program. But I just got engaged, and my bride-to-be is a schoolteacher who visited the plant last year. She says I had better learn more about our benefits program—that all the teachers think it's the best one in town."

Not all returns on the investment in telling the community the benefits story are so direct, but most companies that make the effort report good results. Here are some other tested methods you might find useful:

—An oil company asked a local insurance man to study the insurance protection afforded individual employes under the company's benefits program and to estimate the total cost of the insurance if it were bought through normal insurance channels by any individual.

The estimate, which came to more than $300 a year, was publicized to employes and community neighbors in a newspaper advertisement. This reportedly brought many surprised comments from the community, and jolted the tendency of some employes to take their benefits package for granted.

—Several companies publish special editions of their employe publication which get substantial distribution to plant community neighbors. These special editions regularly report on the merits of the benefits plan.

—Many companies have also discovered that chamber of commerce-sponsored B.-E. Days and Clergy Visitation Days are excellent opportunities to discuss benefits plans. Educators and clergymen have a particularly keen interest in how these plans operate.

### *Personalize the story*

Many companies still try to tell their benefits story with statistics —so many total dollars paid out per year for the various plans. Experienced communicators, however, have learned that maximum effectiveness requires getting the "you" into the message.

One of the best methods of personalization is to report individually to employes on their stake in the benefits program.

One company gives each employe at the end of each year a four-page folder entitled "Your Personal Share in Employe Benefits as of Dec. 31, 19—."

The document includes a checklist of all the benefits available, and an itemized, dollars-and-cents breakdown which shows exactly how much is credited to each employe's account in the pension and savings plans.

This breakdown also shows the proportionate amounts contributed by the employe and by the company. In addition, the report gives the exact amount of coverage in death, hospitalization and sickness and accident insurance. Finally, it includes a simplified form which enables the employe to estimate his total annual retirement income at age 65.

The report is mailed to the employe's home, where the maximum family interest and participation can be engendered. The company reports: "These individual reports have been highly praised by employes who find them revealing and




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Stop by today . . . or phone for free demonstration in your office. Both of these new Verifax Copiers boast exciting advances that let you make dry, easy-to-read copies of office items even faster and more easily than before. And the "decorator" colors are a welcome added touch. Price of the Bantam, Model B is $132.50; the Signet, Model B is $175.00.

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INTERNATIONAL heavy-duty models are specialized throughout for every on- and off-road job . . . diesel, gasoline or LPG power.

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# INTERNATIONAL® TRUCKS

## WORLD'S MOST COMPLETE LINE

International Harvester Company, Chicago • Motor Trucks • Crawler Tractors • Construction Equipment • McCormick® Farm Equipment and Farmall® Tractors

## HIDDEN PAY

*continued*

useful, particularly in developing personal programs to build financial security."

Many companies have reported better employe knowledge and appreciation as a result of personalizing articles and other printed communication about their benefits plans. Thus, when the employe publication runs a benefits story, it frequently runs photographs of real workers receiving an insurance check, for example, or enjoying a paid vacation in their own boat.

Some companies have dramatized insurance coverage by actual case histories. An electrical company reported in detail the large surgical and hospital bills which ensued when an employe and his family were involved in an automobile accident.

Here are other examples of how various companies personalized the employe benefit story:

—A rubber company calls all its people together once a year to hear a personal message from the president on employe benefits, and encourages a free-flow question period afterwards.

—Many companies encourage supervisors to discuss company benefits plans personally with each employe; to help accomplish this, supervisors are given up-to-date information on the benefits plan, and are told about changes before the information is generally released.

—A textile company does not mail benefits checks to employes. Instead, the foreman or manager personally delivers the check to the worker's home.

It must be remembered that unions usually compete with management in an effort to convince employes that union officials deserve all the credit for existing benefits plans.

For companies to have the share of the credit they deserve, it is necessary to seize the initiative in talking about employe benefits.

If employers can maintain the initiative in telling the benefits story forthrightly they will have a good start toward reaping the kind of return that an annual investment of $52 billion warrants. —C. J. DOVER

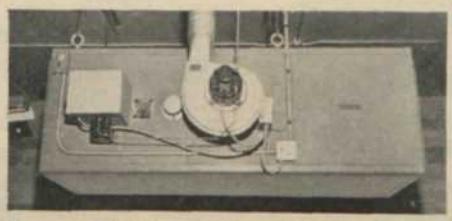
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# FREE YOURSELF OF BLIND SPOTS

## Five steps will help you overcome mental blocks to success

"IT ISN'T THEIR TRAITS that put men on top," insists a company vice president. "It's the capacity to overcome their blind spots."

Most of us have some mental block that can, if we let it, stand in the way of promotion or advancement. Those who move up the ladder are able to recognize and overcome these handicaps. This is a five-step process. A man needs to:

- Know what a blind spot is, and how and when it shows up.
- Recognize the main categories in which most blind spots fall.
- Be alert to the difficulties they produce.
- Apply the kind of remedy needed to overcome them.
- Realize that blind spot countermeasures are part of the coaching relationship between boss and subordinate.

A managerial blind spot is something which interferes with a man's ability to see clearly or fully. It shows itself in various ways. The impediment may be lack of open-mindedness, an overdose of egotism, provincialism, or an unwillingness to face up to a situation. Sometimes it is characterized by rigidity and inflexibility. In some cases it may be an aversion to or escape from a particular kind of responsibility, such as budget preparation, handling of employe grievances, reviewing a proposal for a new or different approach to a problem.

Blind spots reveal themselves in a man's outlook and perspective and, inevitably, in his attitudes, behavior, and action as a manager. They show up in his participation in staff meetings, in his decision-making, policy follow-up, relationships, handling of problems, and in other ways.

The blind spots are serious enough, in many cases, to come under the broad heading of lack of managerial maturity.

A crucial point to be remembered is this: A man may otherwise be quite qualified, competent, and sound. If he could only overcome his particular blind spot he would be a valued man in the organization. He is worth salvaging because of his over-all potential. The appraisal and management development programs of Westinghouse, Atlantic Refining, New York Central, and General Mills, for example, reflect this belief in a man's potential and provide boss-subordinate coaching and other measures to help the individual move toward his full attainment.

The blind spots which account for most difficulty can be classified in relationship to:

People.

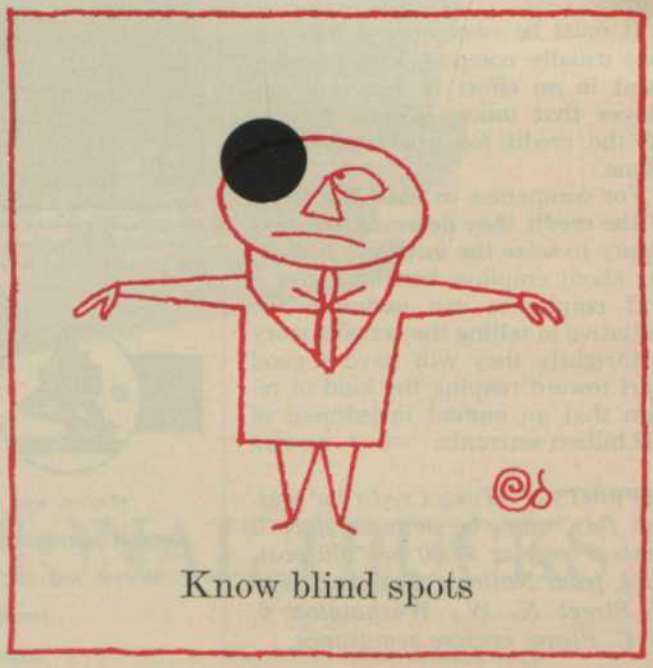
Ideas and values.

Handling of problems.

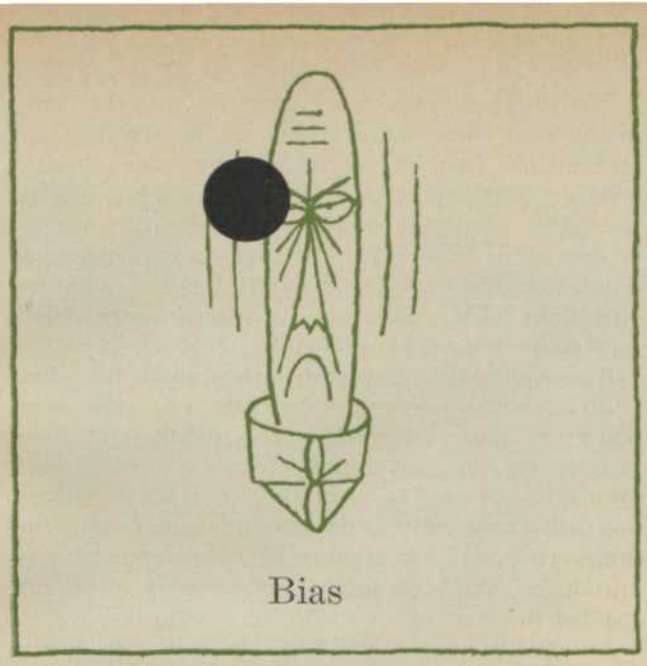
Facing up to the realities of organizational life.

### *People*

High among people blind spots is the inability to take criticism. The personnel director of a medium-sized company tied up the program with a host of varied employe relations projects. His associates, the line managers, criticized this as emphasizing frills at the expense of more urgent needs. They urged him to



Know blind spots



Bias

get on with improving recruitment and revising the company's outmoded job-evaluation system. He resented their criticism and persisted in his preoccupation with employe relations projects. His hypersensitivity caused the line managers to avoid him as much as possible.

After a while the company encountered a serious problem of excessive turnover rates. It took an analysis, which showed the high costs of employe turnover due to mediocre recruitment, misplacement, and an out-of-date job evaluation system, to persuade the personnel man that the line managers had a valid point and that he should direct his attention toward more productive programs.

Closely allied to the inability to take criticism is another blind spot—viewing the actions of others in the organization as competitive and threatening. This often is based on a personal sense of insecurity.

Preaching will not help men with this blind spot. The most effective and rewarding therapy is a dramatic and satisfying experience in which they are awakened to the realization that competition does not always mean threat. This kind of awakening can take place any day anywhere there is joint effort and consultation between managers.

Withdrawal from personal involvement with associates or subordinates is another people blind spot. Somewhere between the two poles of excessive fraternization and indifference and withdrawal is an intelligent middle ground for the manager.

An office manager who closed his eyes and ears to his overworked and understaffed office because of his desire to avoid any personal involvement with individual hardship stories lost the confidence of his statisticians, secretaries, and clerks. Even when the workload returned to normal he was still looked upon as a "cold potato" and couldn't regain their confidence.

A two-pronged influence helped to remove the blind spot. His boss had him on the carpet one day in regard to low morale among the office employes. Shortly afterward, at the company's monthly managers' meeting, an industrial psychologist spoke on "The Art of Listening."

This proved to be an eye-opener for the office manager. As he seriously attempted to improve his capacity to listen, he broke the curtain of withdrawal from what he formerly regarded as personal involvement with people in the shop. What his subordinates wanted was a boss who was a willing listener, at least, and who could, after hearing the whole story, decide on a course of action.

Other people blind spots include: bias toward those in junior positions, unwillingness to give credit or commendation when it is due, prejudice toward female associates, unwarranted toughness based on the belief that this is the only way to keep people on their toes.

A classical blind spot is a manager's indifference to harnessing the abilities of subordinates and unwillingness to develop them.

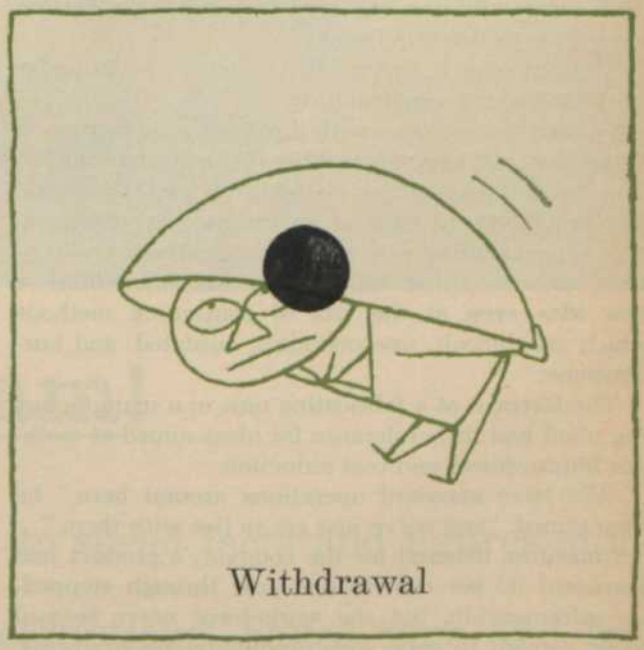
It is evident in the one-man show, and when an executive gives limited delegation or second-guesses the activities of his subordinates.

There are various remedies. Have the boss rap the man's knuckles any time activities cease and no answers are available from his office while he is out. Pin him down to deadlines which can only be met if he uses the abilities of his people.

Hold him accountable for lack of reserve manpower strength in his unit. Make him adhere to the company's investment in its managerial and supervisory development. Show him convincing examples of how organizational life goes on despite the allegedly "indispensable man."

An increasing number of companies now withhold promotion of a middle manager until there is sufficient evidence that at least one of his subordinates has been trained to succeed him.

In all cases associated with people blind spots, we find these basic weaknesses: inability to judge people, overlooking the fundamental psychological concept of individual differences among people, and failure to



Withdrawal



One man show

recognize employe motivational forces as the key to productivity and good human relations.

***Ideas and values***

Among blind spots concerned with ideas and values, the most damaging is the mental block which impels a man to hold to the status quo—no matter what. The manager who shuns the flow of ideas and changing values in his organization is far more costly to the company than a miscued sales campaign or a personnel testing program which proves to be a lemon.

The blind spot goes well beyond smugness and contentment with things as they are. It is psychologically rooted in, 1, fear of the unknown or uncertain and, consequently, the quick reaction to ward it off, resist it; and, 2, inability to outgrow or rise above a former job as a specialist.

Lack of breadth of knowledge and inability to comprehend possibilities inherent in a new idea further contribute to this blind spot.

The outcome is inevitably the tendency to dodge decision-making responsibility.

The middle manager with this blind spot opposes a thing new on the scene, whether it is office mechanization, more imaginative methods of marketing and merchandising, revision of an inventory control system, experimenting with production methods and controls, or some other venture. He will often block a new idea even at the risk of continuing methods which are difficult, uneconomical, outdated, and burdensome.

The foreman of a fabricating unit in a manufacturing plant had little tolerance for ideas aimed at methods improvement and cost reduction.

"We have standard operations around here," he maintained, "and we've just got to live with them."

Consumer demand for the company's product had increased 30 per cent in one year through stepped-up salesmanship, but the work force never seemed to be enough to cope with production requirements.

The foreman spent many hours fighting the "boys in the front office" for overtime pay for the men and pushing his men for results. He was always under pressure, plugging holes in his operations. He rejected suggestions designed to improve the situation, whether they came from industrial engineers, salesmen, or even from employes in the unit familiar with the operations. The result was increased absenteeism, long coffee breaks, slowdowns.

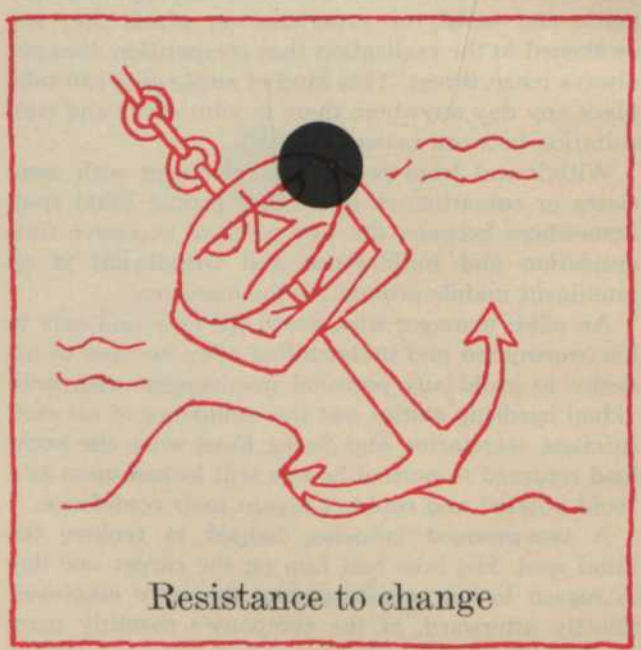
It took demonstration of a work simplification program in another segment of the plant, and an explanation from a close friend who supervised the unit there, to convince him that it was worth a try. With management's approval, a work simplification consultant was called in to collaborate with the regular industrial engineering staff. A number of improvements were introduced which eliminated unnecessary steps and enabled the crew to cope with the workload.

An equally serious blind spot is one which causes a manager to react emotionally to an idea or a proposal. Emotionalism will wreck a staff meeting through an outburst against an idea and the people who generated it. It will impel an executive to choke off or shelve proposals which come across his desk or to stall in the hope that the originator will in time throw in the towel. The employe with a flair for creativity and original thinking will not be comfortable in this manager's organizational unit and will, in some cases, even be penalized.

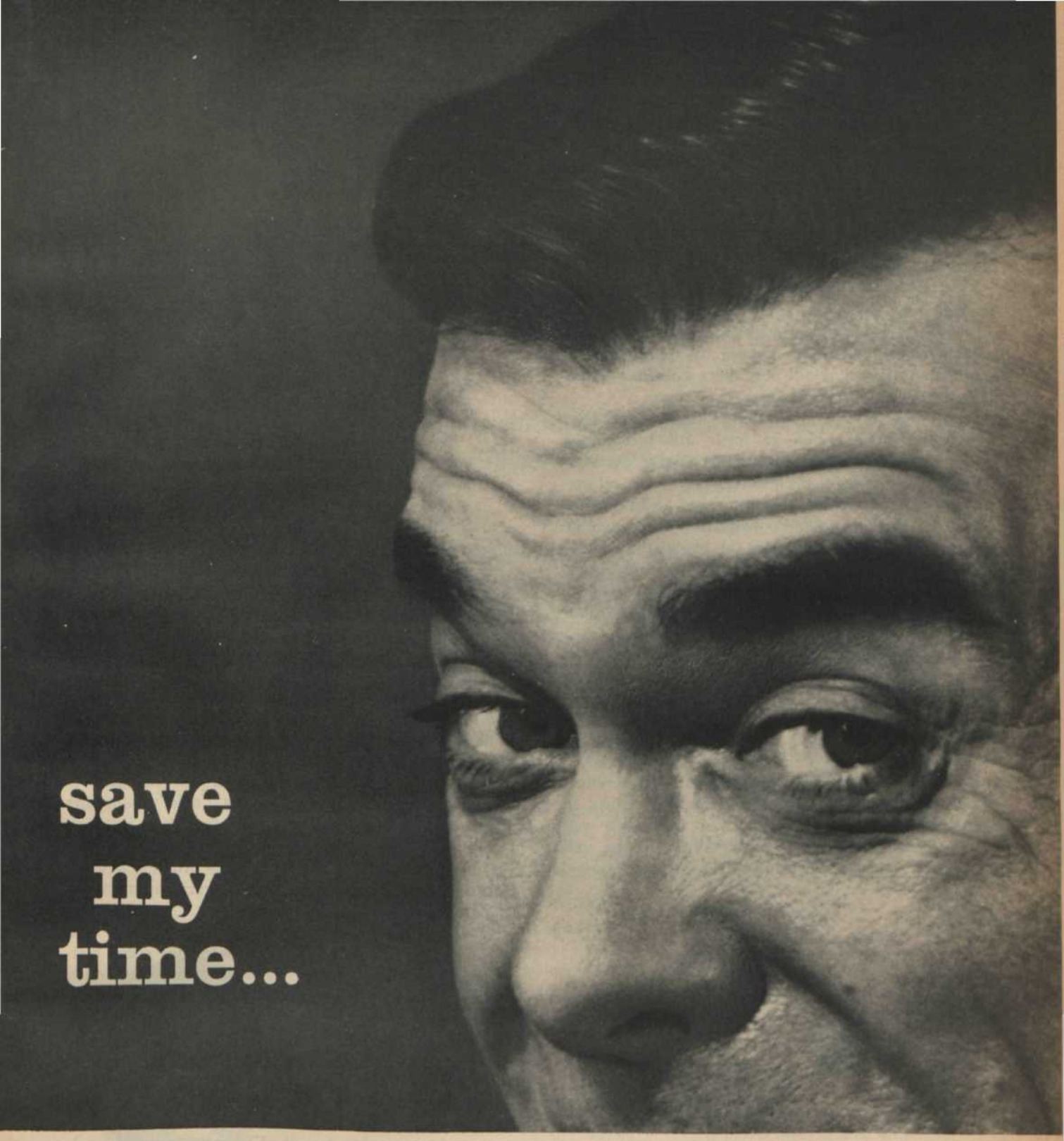
The significant point about this blind spot is this: The manager is frequently able to conceal it or divert attention from it.

For example, you can count on him to make a passionate plea in behalf of company tradition and the wisdom of the present order of things in an effort to use company symbolism to cover up his personal blind spot.

Often he will find refuge in posing as a loyal rule-follower and warn those around him that if it isn't clearly stated in the book the idea shouldn't be given



Resistance to change




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**WESTERN UNION**

a hearing. A familiar tactic is the excuse that "We're too busy to consider a new approach."

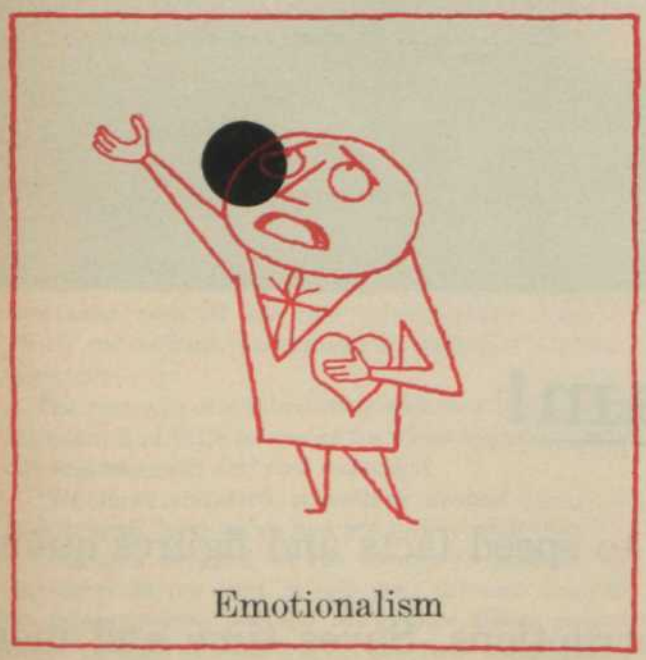
This blind spot will cause a manager to exaggerate the importance of his own function and to discredit the values of other departments. He will disparage the engineering function as a glorified version of draftsmanship, the personnel function as nothing but a clerical custodianship over employe records, or contract negotiation people as legal beagles. He may use the cliché of "things are good enough around here and let's not rock the boat" to discourage, censor, and veto ideas.

Often he will infect his supervisors and others in the unit with the notion that if an idea is "not invented here" it cannot be much good. It is the familiar problem of specialization myopia. In extreme cases, the afflicted executive will play office politics to sabotage a new system or procedure.

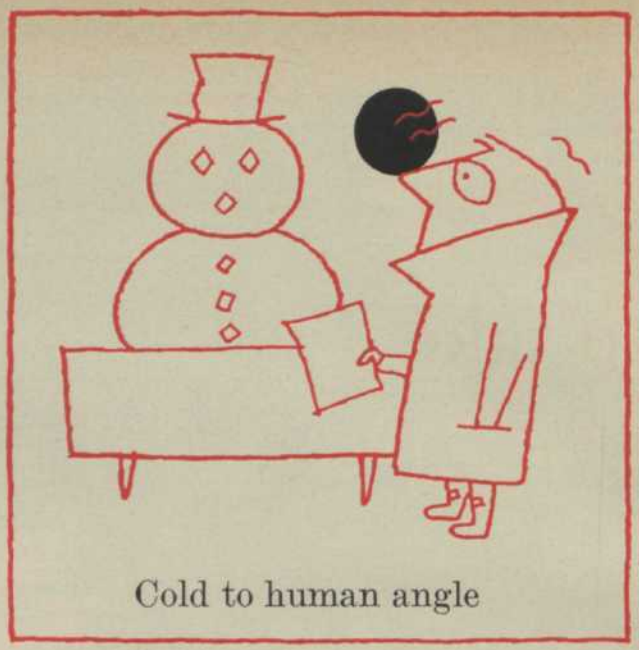
Sensitivity training programs for middle managers have helped many men get over this blind spot. Broadening their sights through specially designed executive development programs, which focus on perspective, the impact of economic and technological trends, and the role and responsibilities of a manager, have enabled men to overcome the block. Rotation to other departments, team effort with others on a special task force effort, effective management counseling, and other measures have had impact in counteracting this blind spot.

While we expect a man's superior to act in cases of a mind closed to new ideas and values, the greater responsibility rests with the company as a whole. It should make known its management creed, its changing corporate image and values, and its expectations of what is right and wrong in managerial behavior.

It has to set the stage for reconciling differences between individual values and corporate values in organizational life. It must insist upon being a well disciplined organization. Once objectives, plans, values, and targets have been fully discussed and agreed upon, the manager should be held fully accountable.



Emotionalism



Cold to human angle

Company leaders must see to it that managers perceive how an organization can grow and measure up to the future. The rational and reasonable conservative must be respected. But he must be differentiated from the manager with a blind spot toward ideas and values.

***Handling problems***

The tendency to retreat from a problem plagues many a man.

The spectrum of blind spots in this category is wide. Avoiding risk-taking, playing it safe, passing the buck—these are probably the most familiar.

Unwillingness to confer or consult with others across organizational lines, when the problem is large and complex, is recognized as managerial immaturity in many cases.

The tendency to stall, wait it out, sleep on it is a procrastination blind spot. Looking for some convenient gimmick or some formula in approaching a problem is another common failing. The man content to deal merely with symptoms and avoid coming to grips with the underlying causes is affected by the blind spot of disinclination to diagnose, analyze, and evaluate.

The chief of the finance department of one company found himself harassed by organizational problems in his unit. He described them as round-the-calendar problems which cut deeply into his time in running the department, and asked his boss for counsel. After reviewing these problems and the way the subordinate handled them, the boss observed that in most cases only half the problem was handled—the technical part.

He advised the man that there are two dimensions to handling a problem, the technical and the human, and that the recurrence of problems was due to the fact that the human dimension was overlooked. In time the boss's counsel paid off, for the manager ap-

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**1. All of the essential facts** concerning Lincoln Life's full group insurance proposal are covered on a *single sheet* that's easy to read and grasp.

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**5. A simple file-size case** is tabbed for both routine and unusual situations. And behind each tab are easy-to-identify forms with all necessary instructions printed on them. There's no looking through a catalogue of instructions, searching for the form described, then matching the right form to the proper rules.

**All these ideas can save money** —thanks to Lincoln Life's modern approach to administrative procedures in its simplified group insurance plans.

**For full information** about the many *other* ways Lincoln Life's group insurance cuts administrative costs and builds employee goodwill, phone the Lincoln Life agent in your community.



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*Its name indicates its character* — *Fort Wayne, Indiana*

proached problems in this way and found that they were resolved satisfactorily.

A significant blind spot is evasion of authority. Here the manager is reluctant to tackle a problem under the plea that he doesn't have the authority to act. A district sales manager took no action in the case of one of his salesmen whose sales performance was well above standard, but whose indiscreet remarks brought complaints. Several customers indicated that they would discontinue their relations and would purchase from a competitor in the future. The sales manager relayed the case to the director of sales at headquarters, insisting that he himself had no authority to call the salesman on the carpet.

It took a hurried trip by an emissary from headquarters to convince the district sales manager that the company administrative manual clearly gave him authority to handle problems other than selling. It was not the lack of authority that was at fault but the unwillingness to use it.

Other blind spots in handling problems include: failure to set up alternatives in making a decision and acting only on one pattern, usually because of some precedent; inability to see clearly the real issue; prejudicial attitude toward a particular person; carelessness in getting to the facts; reluctance to impose controls.

Solutions to these blind spots include self-discipline, better conceptual skill, coaching the man to anticipate problems and be ready to handle them when they arrive, better utilization of the manager's time, human relations training, and developing the capacity to assess, analyze, and evaluate situations.

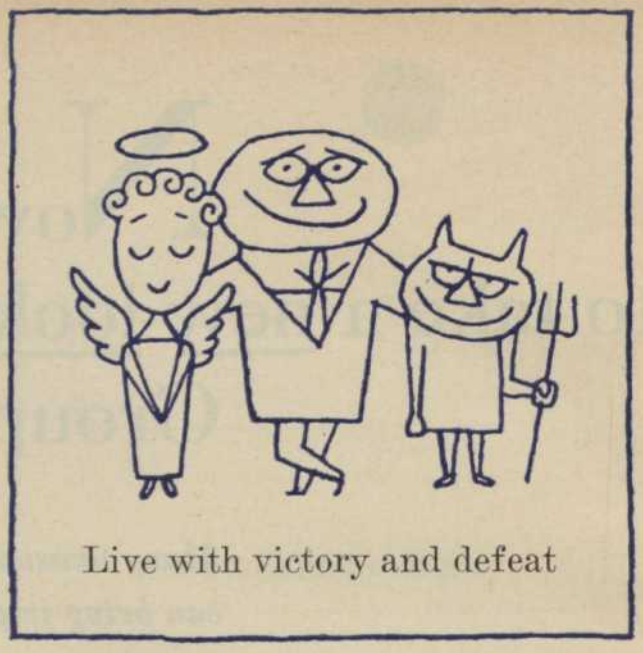
#### *Facing up to realities*

Failure of a manager to meet expectations in a company which is generally well organized and soundly directed can usually be traced to his inability to face up to the realities of organization life.

Psychological studies of high- and low-rated managers confirm the importance of a manager's capacity to take knocks without developing a persecution complex, to live with both victory and defeat, to operate under stress and frustrating conditions and, above all, to set and lead others toward goals realistically. Life is tough for the idealist in this environment.

The research and development branch supervisor at a plastics firm who looked upon controls and the control function as a police system never quite made it. He rebelled against budgetary, statistical, manpower and other controls. From the day he left the university campus as a research associate to the day he resigned two years later, he had displayed a deep-seated resentment toward the administrative process. The blind spot was a mistaken belief that one could free-wheel and intellectualize and still justify his place on the company payroll. Repeated efforts to advise and counsel him failed.

The safety director at a chemical company wouldn't put up with what seemed to him an intricate network of signatures to be acquired before final authorization to procure new safety equipment. He felt that he had to jump through a number of hoops to clear plans with company officials in manufacturing, purchasing,



Live with victory and defeat

and personnel and, in addition, with union representatives. The fact was that each of these had a real authoritative role in the total safety program. When he tried to bypass them on the pretext that the matter couldn't wait, he found that it backfired.

When a safety committee was established and the discussions centered around the multiple factors affecting employe safety, without delaying solution of the problems unduly, his blind spot began to fade.

The most damaging of the blind spots toward facing up to reality is unwillingness to delegate. This is one of the major reasons for mortality rates among managers on the promotion ladder. The basic reason for reluctance to delegate is fear of relinquishing authority and power. The marks of the organizational unit where there is little or no delegation are well known: an overburdened manager trapped in details, a corps of supervisors whose abilities are untapped, poor communication, and high quit rates.

The answer lies in the management philosophy, good example of delegation at the upper levels, and an appraisal and management development program which fosters the desire to delegate and helps a man acquire the skills and competence of a good delegator. This must be reinforced by effective coaching.

A man cannot take flight from the realities of organizational life. Facing up to them is essential. Just one or two blind spots is often enough, if they persist, to result in having him brushed aside as nonpromotable.

It has been observed that the business organization needs the individual as much as the individual needs the organization, and that each is incomplete without the other. As the corporation continues to engage in self-examination to remove some of its blinders, so the individual manager has to do likewise.

—NATHANIEL STEWART

**REPRINTS** *of "Free Yourself of Blind Spots" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance.*

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## SPACE BUSINESS

*continued from page 45*

government has spent billions of dollars in bringing the state of the art to the point where it has economic feasibility. Space travel and the like are too remote to speculate about subsidies for them.

The government is subsidizing the whole business now, in a sense. In the research and development field I cannot see any company going into the business of putting up satellites to learn more about radiation, meteorite sizes, possible damage caused by them, and things of this sort. I believe this is a responsibility of government. And much of this sort of research and development must be done before reliable communications and meteorological systems are possible.

**Could a company rent space on one of the government satellites for commercial purposes?**

We have not crossed that bridge yet. One should realize, of course, that our program includes the results of the efforts of people from industry, educational institutions and the scientific community—not just a small government clique.

**Do you favor a change in the patent provisions of the Space Act?**

I do. Presently the law requires that all patents developed under NASA contracts be taken by the government. As administrator, I have the right to waive that provision only when I find that it is in the public interest to do so.

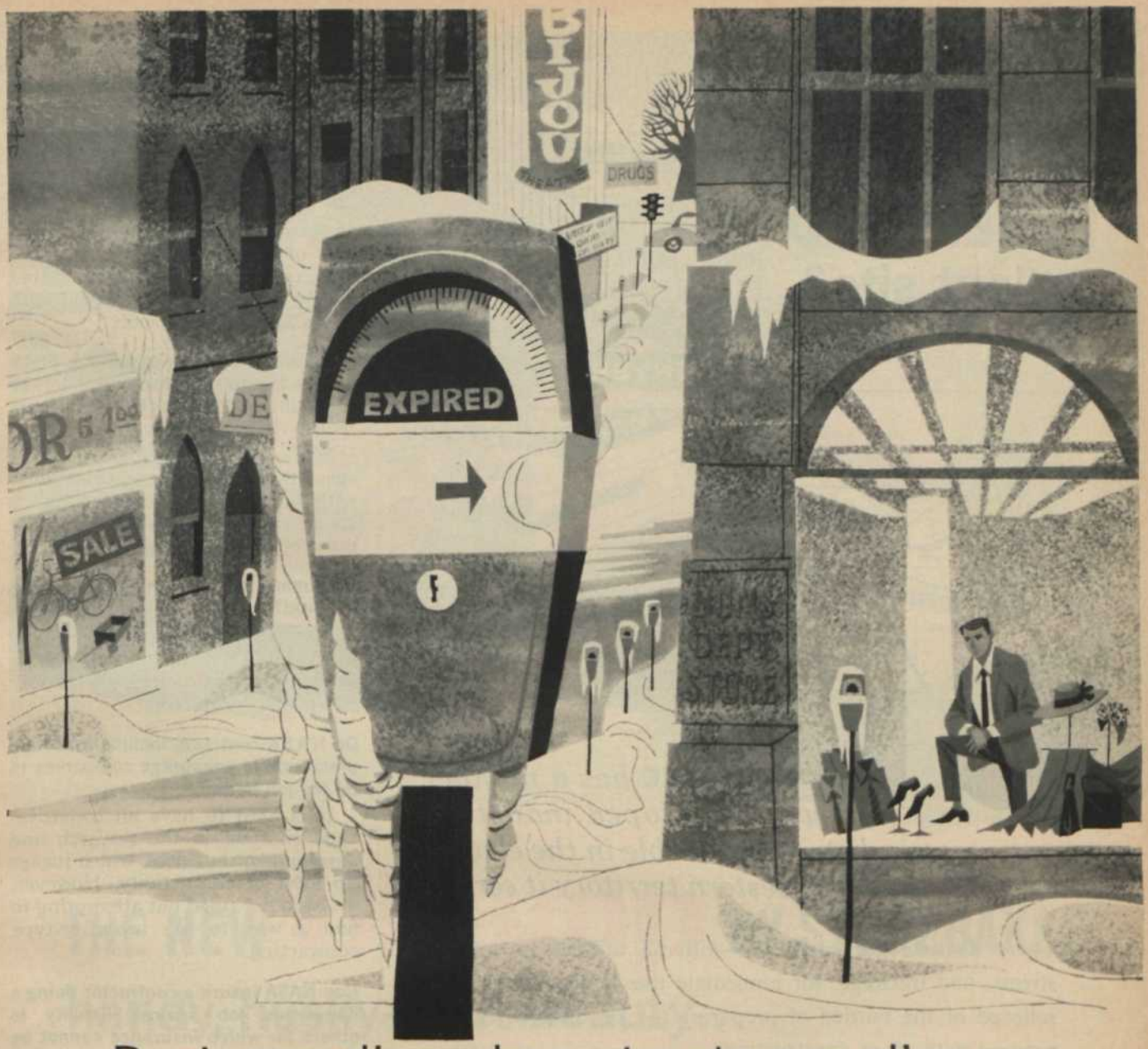
Under the changes we propose, it would be necessary for me to make a specific finding that it was in the interest of national security or the general welfare for the government to take the patent.

I am convinced that the change is in the best interests of the nation. We are a free enterprise economy, a competitive economy, and this, I think, tends to strengthen competitive enterprise.

Some few companies have refused to do business with us because they felt they had a particular patent position which would be jeopardized were they to take a contract with us. So a change in the law would give us a wider field from which to draw our contractors.

**Do you think the provision might be a problem later?**

I think it could be, but, more important, it is time Congress dealt with the total patent problem. What




# Business slips when streets are slippery

## Business is better, streets are safer when your town uses Morton Safe-T-Salt*

Icy streets are bad business. They hinder traffic and annoy residents to the extent that they often will not drive into town to shop. Can you afford the loss of business?

Icy streets are dangerous streets that cause accidents . . . slow down police, fire and medical calls . . . stall vital city services. This costs everybody money and can cost some their lives.

You can't afford a situation like this. But then, can you afford to have your town spread sand, cinders and other abrasives that do absolutely nothing to remove dangerous ice and packed snow? Remember, abrasives merely cover icy surfaces. They are easily dispersed by wind and traffic. They leave a rutted, gritty pavement and clog sewers and drains, often necessitating costly cleanouts. Can you afford this waste of tax money?

Can you afford to have your town use your tax dollars to pay a premium for de-icing chemicals costing from one and a half to twice as much as Morton Safe-T-Salt? Even if you could, it would be an unnecessary extravagance for Morton Safe-T-Salt (Rock Salt) gives you safer winter streets, quicker and at less cost.

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*Industrial Development Department*

**UNION PACIFIC** *Railroad*

OMAHA 2, NEBRASKA

## SPACE BUSINESS

*continued*

we are asking to have set out in the law for our operations is, in essence, what was done for the National Science Foundation. It would permit us to follow the practice of the Defense Department. The great bulk of our contractors are also defense contractors. Dealing with that Department on one basis and with us on another is difficult.

**How much of your agency's $915 million budget this fiscal year will be spent through contracts with private industry?**

More than 75 per cent will be spent through contracts, principally with industry. Some, of course, is spent with educational and other nonprofit institutions.

**How many private companies will be involved?**

More than 7,500 companies. And this would not include the thousands of subcontractors who supply our prime contractors.

**Do NASA contracts include incentive premiums to encourage companies to do the job better?**

It is hard to have an incentive-type contract in the research and development business, which makes up most of our activity. However, we have not ruled out attempting to find a way to use incentive-type contracting.

**Can NASA insure a contractor doing a dangerous job against liability to others for which insurance cannot be purchased?**

We do not have this authority, but believe we should. We will continue to ask for it until it is granted.

**Would confusion about international law in space prevent an American company from getting into the communications field?**

I would think not. The American company which presently does the bulk of the transatlantic telephony uses terminal stations on the other side which are the property of and operated by companies over there, most of which are government-owned. I see no problem about that. Relationships between privately owned U. S. communications companies and the government-owned and operated companies abroad are effective in all other media. I don't see that the use of satellite techniques would call for changes in these arrangements. **END**

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## handy, husky-built beauty...

## power-matched for thrift and rugged duty

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Power in the new Champ is specifically engineered to match the truck's load rating. It's the all-new 170-cubic inch overhead valve six cylinder engine with ram-induction manifold. *The matching of power plant to load assures top performance with a new high in economy.* The torque curve is matched to performance requirements with plenty of power at the bottom end where you need it. In addition to the power-matched "6," there are two V-8's available—259 cu. in., and 289 cu. in.

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**Engines:** 110 hp Six, 180 hp V-8, or 210 hp V-8. All have high torque at low rpm; all use regular-grade gas only; and all have earned an honest reputation for high gas mileage, dependable service and long life.

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**Cabs:** Standard or deluxe, with deluxe trim. Full-width sliding rear window can be opened for maximum ventilation . . . provides full visibility. Bonus-value features are window vents, insulated roof, long-wearing vinyl upholstery over foam rubber, safety steering wheel, and more. Wonderful roominess and comfort!

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## HIGHWAY PROGRAM

*continued from page 65*

spent on city highways is, on the average, greater than the value received for rural roads.

If Congress decides to continue its support of the interstate highway program as originally planned, two methods are open:

1. Allow the Highway Trust Fund to borrow temporarily while highway capacity is being expanded and before the revenue from the expanded system becomes available.

2. Allocate more taxes resulting from highway use to the highway program.

In deciding what rate of spending to follow, whether to allow the trust fund to borrow or provide more revenue by spreading the tax burden, Congress should follow business principles.

Highway outlays should be programed just as are those of a private company. If the Highway Fund will earn more in the long run, if highway traffic will grow at a healthier rate and the economy be supported better with an expanded capital outlay program, then the Fund should support such a program.

The question of borrowing, or of raising charges, should be approached as an informed company approaches it. Some businesses prefer to obtain funds by raising prices. Others tend to borrow. Now that the federal government is in the black, it may be easier for Congress to allow the Trust Fund to borrow, rather than to allocate more of existing highway-generated taxes. Moreover, with a federal surplus, it may be easier for Congress to shift more or all of the excise taxes collected on motor vehicles from the general fund to the Highway Trust Fund.

With this revenue added to excises already credited to the Trust Fund, it might be possible to finance the highway program without long-term borrowing.

If the decision is to proceed on a pay-as-you-go basis, Congress must determine who should pay for highway construction. At present, highway costs are borne chiefly by the direct beneficiaries through payment of taxes on fuel, tires, heavy vehicles, automobile parts and accessories, and a manufacturer's tax on trucks, buses and trailers. A decision to extend the burden to indirect beneficiaries might affect such enterprises as motels, service stations, restaurants, terminals and even factories. Rather than try to single out indirect beneficiaries, however, Congress might simply divert a specified amount of money from the general fund to highways.

### *Sound road program*

A good road program pays for itself as does any good investment. As a matter of fact, we pay for good roads whether we have them or not. The accident rate on average roads is two to four times that on the best highways. The cost of accidents today is greater than the cost of the roads we build. The cost of driving on a good road, including its construction cost, is less than that of traveling on an unsatisfactory road.

The money spent on building an adequate highway system will be repaid to the government twice—once in the form of user and beneficiary taxes and again in the form of greater revenues generated by the increased volume of business such facilities make possible. Adequate highways would enable the government to operate with lower general tax rates.

In spite of its many difficulties, nearly one fourth of the interstate system is now open to traffic. Roughly half of this mileage has been built since 1956. The remainder includes toll roads and previously existing highways incorporated into the system.

Charges of fraud and mismanagement have been leveled at the program. Such charges have been overdrawn, however, according to Rep. John A. Blatnik, Minnesota Democrat, chairman of the House Special Subcommittee on the Federal Aid Highway Program.

"We expect to show Congress that there is no wholesale waste, extravagance and fraud, and that the instances which have occurred are being exposed to the public by the subcommittee," Representative Blatnik says. "The standards of the program and of the people in it are very high, on the whole. It is not a big boondoggle or grab bag."

The Blatnik subcommittee has held two hearings. The first pointed up the inability for three years of the Department of Defense to agree with the Bureau of Public Roads on a minimum height for highway overpasses. The second brought out evidence of irregularities in construction of the 13-mile Skelly bypass at Tulsa, Okla.

The results of these and future hearings of the subcommittee will be among the many considerations facing Congress next year in its review of the interstate highway program.—ROBINSON NEWCOMB



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*Speeds reference, too!* Items are also indexed on the film in the automatic microfilming operation. Code lines lead you right to the pictures you want when you refer to films in a RECORDAK Film Reader.

New RELIANT 500 boasts many features. For example, film units are instantly interchangeable, allowing various departments to microfilm with their own units . . . preserving record continuity, and reducing need for extra microfilmers.

*Free folder* gives details on this new microfilmer which brings increased efficiency to office routines.

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**Media Dir.:** More? Well, now we can buy exactly the right Yellow Pages directories to fit our clients' local marketing patterns.

**Acct. Exec.:** No waste?

**Media Dir.:** Nope. And the Yellow Pages people will help us determine directory coverage by markets. They'll furnish us with all the marketing data we need.

**Acct. Exec.:** You said just *one* contract?

**Media Dir.:** Right. Covers any and all directories we buy. Just one monthly bill, too.

**Acct. Exec.:** But what about the different competitive problems we have in our various markets?

**Media Dir.:** NYPS solves them — 'cause we can vary our space sizes and our message to meet competition.

**Acct. Exec.:** Okay, but can we really *sell* in the Yellow Pages?

**Media Dir.:** *Positively.* Tie right in with our national campaign. And of course we'd be getting to people when they're *ready* to *buy*.

**Acct. Exec.:** Good. Let's see a plan on it.

**Media Dir.:** They're typing it up right now!

NEW NATIONAL YELLOW PAGES SERVICE

ONE CONTACT/ONE CONTRACT/ONE MONTHLY BILL

For details contact your NYPS representative through your Bell Telephone office.

SPECIAL LETTER

## NATION'S BUSINESS EDITORS REPORT ON: PROFITS IN 1961

PROFIT OUTLOOK worries businessmen. Most measures of economic activity keep edging toward new peaks.

But profits are slipping.

Forces causing this trend, consequences of it are worth noting. Thinner profits during year ahead will affect many decisions, private and public.

* * *

WHAT'S HAPPENING to many companies is shown by these examples:

Firm with $1.21 earnings per share of common stock a year ago now has $1.15 per share.

Company with 75 cents earnings a year ago now has 65 cents.

Another is down from 80 cents to 75.

Firm with 47 cents profit a year ago has earned 43 cents so far this year.

With earnings lower, these companies have one other thing in common: Sales volume is higher than a year ago.

That's the story for many companies today: Higher sales but thinning profit margins.

* * *

SOME COMPANIES, able to boost sales far more than average, are experiencing profit increases.

But analysis of 60 companies shows only 16 have more profits than '59.

Over-all decline for these firms is 17 per cent. Biggest slippage is found in steel industry. Profits for other-than-steel companies are not down as much.

* * *

OTHER STUDIES confirm these trends. An analysis of 721 corporations studied by New York's First National City Bank shows profits at midyear were four per cent behind year ago. Direction that earnings are headed is

revealed in study of 533 manufacturing companies: Earnings down five per cent in March, down 14 per cent at midyear.

Study finding: ". . . Many companies report record sales, a much smaller number able to show new highs in earnings."

Among 17 industry groups, 13 showed up with lower profit margins.

* * *

ANALYSIS of newest information available--sales and profit reports of all manufacturing companies--pinpoints sales volume needed to maintain profit margins of past year.

For all firms, sales of $18.19 a year ago earned $1 of profit. Now it requires $21.59 sales for each $1 profit.

For nondurable goods industries, sales of $19.68 earned $1 of profit a year ago while $21.19 sales are needed now.

Durable goods industries last year needed $17.01 sales for each $1 of profit and now require nearly $22.

Note: Companies in nondurable goods now need to run eight per cent faster to earn each $1 profit. Companies in durable goods field need to run 29 per cent faster just to stay even.

* * *

WHY IS EARNING POWER of business declining?

Costs keep rising--average hourly earnings of production workers are up from $2.19 to $2.27 during past year.

Productivity increase per man-hour is tapering--up 4.2 per cent last year, up estimated 2.5 per cent this year, estimated one per cent rise--if any--for next year.

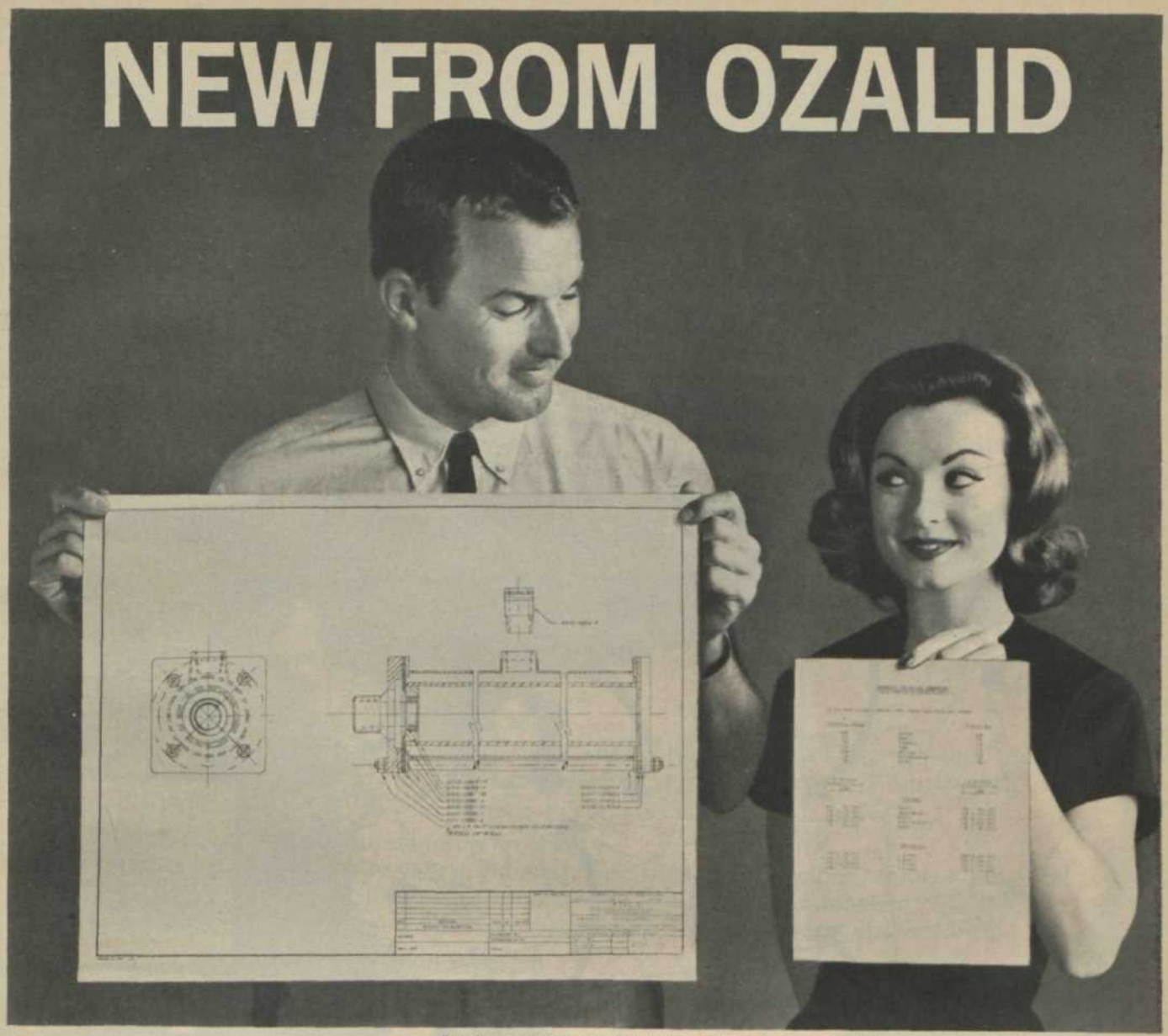
Prices are largely unchanged--industrial price index now is about same as it was throughout '59, only slightly higher than '58 and '57.

Sales volume is mixed--up for some industries, down for others.

Cost, productivity, price, sales trends now under way add up to lower profit margins during year ahead.

Informed guess: After-tax profits may total $24 billion in 1960. For year ahead they're likely to fall below $20 billion. Earning power will slip most for companies in durable goods field.

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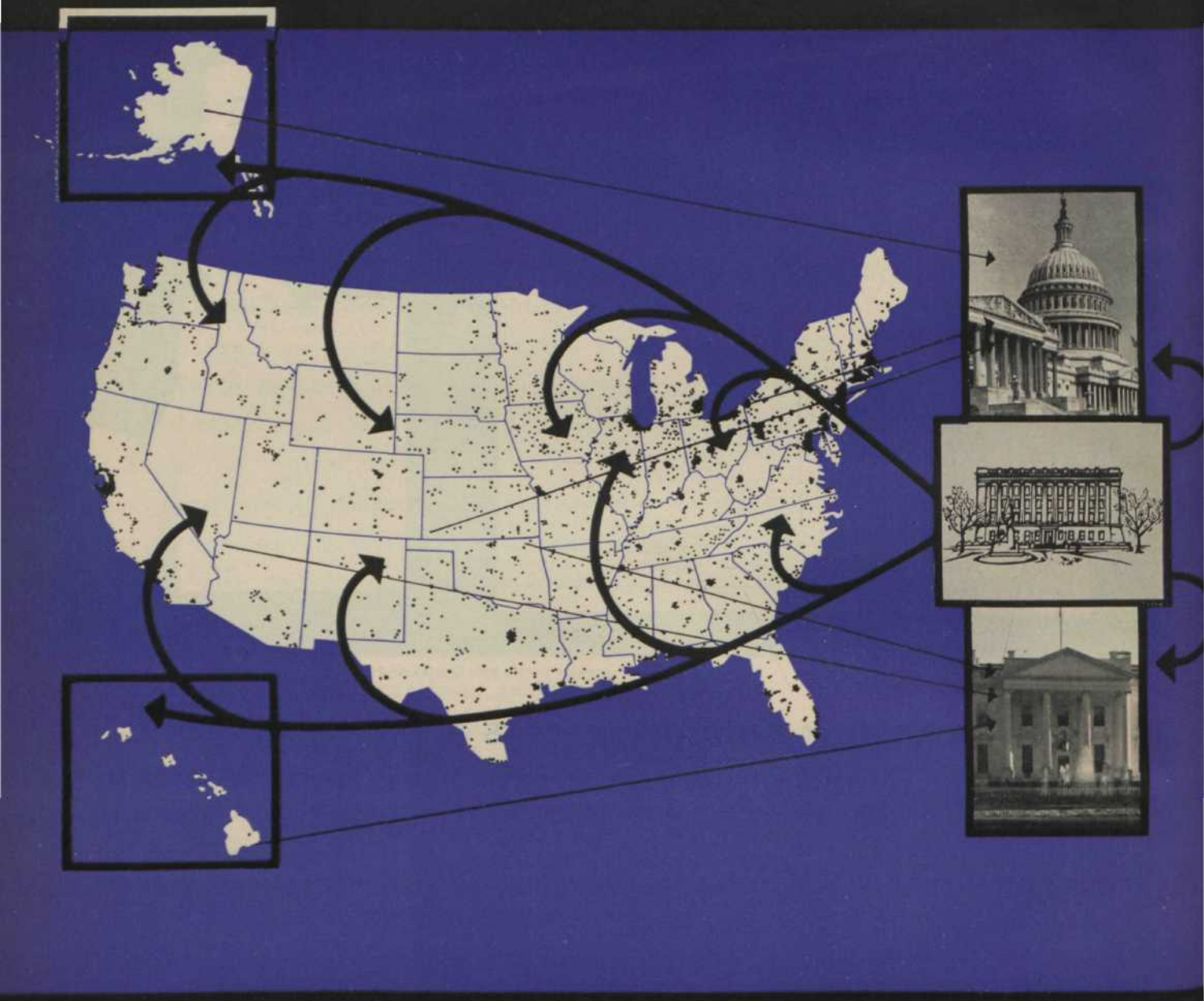
Firm_____

Phone_____

Address_____

City_____ Zone_____

State_____



■ This map shows the location of the National Chamber's more than 3,600 affiliated organizations in the 50 states of the Union. The Chamber also has affiliated organizations in Guam, Okinawa, Puerto Rico and the Virgin Islands.

# HOW THE NATIONAL CHAMBER WORKS IN THE PUBLIC INTEREST

1 The National Chamber submits to Congress the recommendations of business on legislative proposals. Also, Chamber officers and department managers meet with government officials, talk over legislative matters with them, and show them the logic and soundness of the Chamber's position.

2 Through its opinion-forming work—meetings, films, radio, television, news releases and publications—the National Chamber creates a better public understanding of national issues and gains wider acceptance of the business point of view.

3 Through these three training and action programs—conducted by its affiliated organizations—the Chamber equips and encourages businessmen and others to assume their full citizenship responsibilities:

**a. Congressional Action Program**
Keeps businessmen informed about what is happening in Congress—and shows them how to make their views on legislative proposals heard more effectively in Washington.

**b. Economic Understanding Program**
Gives businessmen a better grasp of basic economic principles, trains them to be more articulate spokesmen for business—and helps them create a better understanding of the American competitive enterprise system, and how it works.

**c. Political Participation Program**
Shows businessmen and others how to be more active and more influential in practical politics.

4 Through the work of local Congressional Action Committees, businessmen keep in close personal touch with their elected representatives in Washington—and give Congress and the Executive Branch of the Government the benefit of their wisdom and thinking on national issues.

5 By widely disseminating clear and dependable information about legislative issues and about trends and developments in national affairs, the National Chamber helps build a better informed electorate—and encourages the voters to take a more active interest in the democratic processes of government.

For further information, write for a copy of our 1960 progress report, "The National Chamber—and How it Works in the Public Interest."

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# Executive Trends

### *Business fights to protect profits*

Coming months will find business continuing to struggle with the problem of maintaining a satisfactory profit margin in the face of rising costs and intensified competition.

A recent NATION'S BUSINESS survey disclosed that cost-reduction programs are being widely used as a key weapon against the profit squeeze. Management consultants report current interest in cost-cutting is high. Specific remedies range all the way from trimming the size of secretarial pools to making reductions in the amount of executive compensation.

One survey—details of which have not yet been made public—shows that a number of businesses are tightening up sales incentive programs in an effort to hold the cost line. The programs are being made less liberal in some instances.

▶ At the same time, emphasis on peak marketing and sales efforts is high, because these are keys to meeting the sharper competition from domestic and foreign competitors. For this reason, it seems unlikely that cost-cutting will make too great an inroad into selling incentives, for to do so, in the words of one consultant, would mean "risking the alienation of the people you need most in a more competitive market—your salesmen."

### *Able men will be ardently wooed*

Competent executives in the general age span of 36 to 44 will find themselves besieged with job offers in the next two to three years.

That's a forecast by Lon D. Barton, president of Cadillac Associates, Inc., a recruiting and placement organization. Mr. Barton says the efforts to win and hold the top men in industry will be "unprecedented." He bases his prediction on the fact that the supply of manpower in the prime age range will decline in the 1960's at a time when business growth and expansion will be on a steep upswing.

"It means a buyer's market," Mr. Barton explains. "It means the good men will have many jobs to choose from. It means executive salaries will move sharply upward, for companies will pay more to get or hold topflight people."

▶ The bidding contest for competent managers will be of particular importance to medium and smaller firms, Mr. Barton says. He points out that, unlike the corporate heavyweights, the smaller companies—generally speaking—have not been able to develop a large supply of trained and promotable men. They'll have to raid where they can, and they'll have to pay good prices for really outstanding people, he explains. He foresees an increased emphasis on management development programs to provide catch-up train-

ing for executives promoted so rapidly in the recent past that they missed some of the fundamentals of job stops along the way.

### *Shift in personnel policies predicted*

A 30-year era in employe relations is drawing to a close, says Albert F. Watters, personnel vice president of General Foods Corporation.

Mr. Watters says that, in the future, personnel policies of American business will be geared more to the "classes," and less to the "masses." He explains that most personnel policies in business today are the products of events that have passed, such as the depression of the 1930's, when nearly a fourth of the nation's labor force was unemployed—and are geared to the needs of "mass groups of factory employes."

Smaller groups of highly skilled workers are now assuming prime importance, he continues, and new personnel policies should be developed to serve the special needs of this new elite.

▶ Among new policies suggested by Mr. Watters are work groups that permit more informal job relationships and procedures; better selection processes for hiring key people; an environment that encourages self-development, and new job satisfactions that would supplement financial compensation.

### *Top company executives are bullish*

Optimism about the short-term and long-term outlook for business prevailed at recent closed meetings of company presidents conducted by the American Management Association, Inc.

An AMA spokesman says the company leaders were most interested in discussing the following subjects, in the order indicated: mergers and acquisitions, long-range planning, setting standards of performance for top-echelon managers, providing business support for the nation's small colleges, and moving to meet the expanding challenge of foreign competition.

▶ He said 12 out of 27 presidents in one of the two meetings reported they have established clear standards of performance for evaluating the work of men in jobs at the level of company vice president and up. There was some concern expressed that too few organizations have created adequate measurements for the performance of their high-ranking officials.

### *Return to conservatism*

Despite widespread opinion to the contrary, the study of economics in U.S. colleges is making students more conservative in their thinking, not more radical.

Opinion Research Corporation studied the impact of economics training, or lack of it, on the thinking of 4,500 freshmen and seniors in 12 midwestern liberal arts colleges. It found that 89 per cent of the economics majors studied believe our economic system shares fairly between owners and workers. Only 62 per cent of seniors without economics hold this view, ORC reports.

The survey also showed that students with a strong background in economics are opposed in greater numbers than non-economics students to governmental intervention in business activity.

▶ Robert D. Best, who directed ORC's research project, says it confirmed earlier findings of large-scale economic illiteracy in the nation's high schools and colleges. It was shown, he says, that freshmen enter colleges almost totally ignorant of economics and that only a small minority of college students add significantly to this knowledge before graduation.




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# THREE STEPS TO PROFITS ABROAD

By overcoming these stumbling blocks you can sell successfully in foreign lands

PROFITS TO BE MADE OVERSEAS—both by exporting goods from here and by setting up businesses abroad—are so substantial that no conscientious businessman can afford to pass them up without a careful look.

Many U. S. companies find that their foreign profits per dollar of investment are running almost double those they make at home.

But while the growing potential of world trade has been well publicized, there has been a shocking indifference toward these opportunities in some sectors of U. S. business. Literally thousands of trade inquiries made by foreign firms and individuals to U. S. companies go unanswered each year.

Example: The owners of a Central American textile plant—having written to a host of U. S. equipment manufacturers without a single reply in six weeks—quite legitimately needled a U. S. government trade specialist recently.

"You say your people want to do more business abroad. But why, when we are in the mood to buy, won't they even acknowledge our letters?" The trade specialist had no answer. The order, he learned, would most likely go to a West German concern.

The current government-business drive to increase U. S. exports should contribute much to making more American companies aware of the opportunities they have been missing.

This, at least, is one of the objectives of the export campaign.

Even those companies which are awake to potential markets abroad cannot sensibly move into them without first getting specific answers to the questions, "Does this apply to us?" and "How do we start?"

Talks with scores of men successful in exporting their products and with others who are running highly profitable branches overseas have brought out three major steps that most newcomers to foreign commerce stumble over badly. The key points are these:

- Pinpoint a single area to concentrate on first.
- Find top trade people to help you overseas.
- Adapt your products, packaging and sales approach to foreign tastes.

These are the make-or-break decisions, after which the details and complexities that frighten many firms away are relatively routine. Foreign trade is no longer a mysterious science. Actually, there is no such thing as "foreign trade." It's all domestic trade on somebody else's home grounds. Studying the business patterns of a foreign country you hope to sell is only a little different from analyzing a new sales territory in the next state.

### *Picking your spot*

Almost without doubt, there is a place for some of your goods overseas. This has been proved not only by our giant electrical, chemical and machinery companies, but also by makers of remedies for corns, diet

## 1. Pinpoint sales area



**Needs of different countries vary. Find out where your product fits into the picture**

foods, facial tissues and thousands of other products. Even many U. S. retailers and service organizations, such as grocery chains, snack bars, management consultants and trucking companies, are finding a demand for their methods abroad.

What's needed is to locate a spot that is ripe for your goods and to offer only the part of your line that fills a present need. One reason that Europeans often sell more to America than we sell to them is that they always ask themselves, "What kind of things do Americans like?" But we have tended to think in reverse: "What have we got that we can sell overseas?"

Selecting the best foreign market for your line is a process of elimination. Begin with the knowledge that the world is divided into areas in such different stages of advancement that they are literally centuries apart: There are backward areas that need all the basics, but only basics. There are semimodern regions that need industrial goods and simple consumer items.

Finally, there are the modern industrial areas that need advanced equipment and techniques, ways of speeding and automating their production, consumer durables, luxuries and leisure-time goods.

This means that you can seek a slot for your products not only by looking around geographically, but by looking backward in time, as well. While Canada and Western Europe are of our century and moving into the space age, you would find that parts of Africa and Southeast Asia consider railroads to be something new and exciting—in some cases even a project for the future. In the same way, while Europe is keenly interested in electronic data processing, you can't hope to interest some of Latin America in anything more advanced than a typewriter or adding machine; and in some places the ball-point pen is the pinnacle of office equipment.

Europe and its Common Market have had so much publicity that all eyes naturally turn there first. Western Europe is a boom area of incredible proportions. But that should not blind U. S. companies to the advantages of Canada, Australia and Mexico. Nor should it prevent some firms from looking to such fertile oriental markets as Japan, Malaya or India—at least as a second foreign step after a foothold has been established in the prime areas.

Once you have narrowed your search for a starting point to a few likely contenders, you can get more details by visiting a Commerce Department field office or by writing to the Division of Commercial Intelligence, Bureau of Foreign Commerce, Washington 25, D. C. Ask them to tell you what reports on the countries you have in mind are available under the "World Trade Information Service." For just a few cents per report, you can get a summary of the latest trade data on any nation—its strong and weak points, market potential, distribution channels, what industries it needs most.

Another useful source to check in the early stages of your planning is the Foreign Commerce Department of the U. S. Chamber of Commerce, Washington 6, D. C. It can provide you with several valuable guidebooks to foreign trade, and can answer many

## 2. Find foreign associates



**People who know markets, customs, and ways of doing business can help American firms get started overseas**

## 3. Fit products to market



**Customers' tastes must be major factor in deciding what you should sell, how to advertise and package it**



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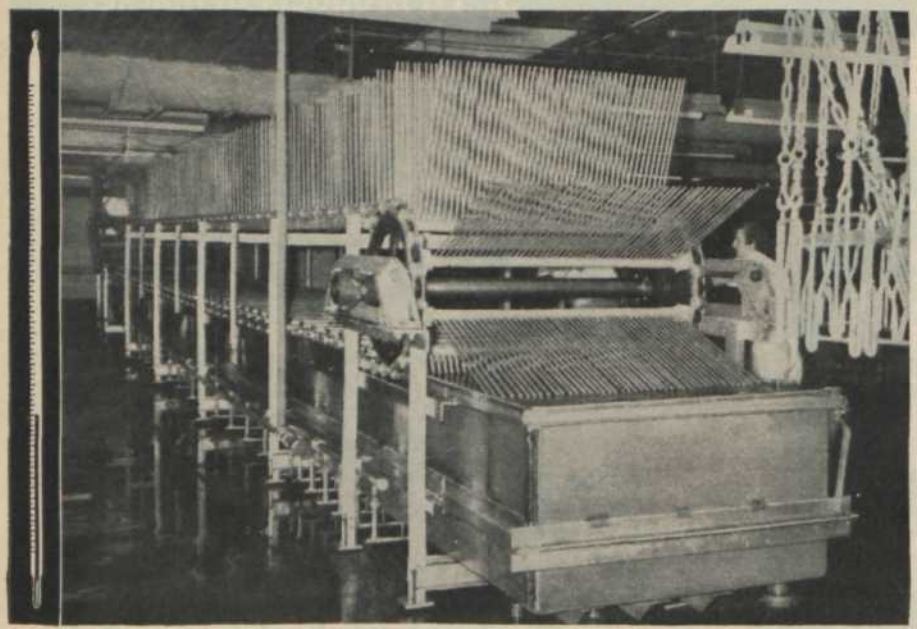
The Frick Company, pioneers in refrigeration, has developed an economical process that is years ahead of other methods of chilling freshly killed birds. Using a continuous flow of cold water instead of costly ice, the Frick system cools the birds to 36 or 37 degrees—not just the minimum requirement of 40—thereby preserving freshness and locking in flavor.

Frick's ability to design and install quality refrigeration for processing, packaging and storing foods of *all* types is recognized by engineers throughout the world.

No matter what *your* refrigeration or air conditioning problem is . . . for beans or beer, poultry or peaches, pharmaceuticals or farm-fresh apples . . . Frick offers depend*ability*.

If your business requires refrigeration or air conditioning in *any* phase of its operation, a Frick engineer will be happy to discuss it with you at no obligation.

**FRICK COMPANY, Waynesboro, Pennsylvania**



• Here's a Frick Counter-Flow-Continuous ("C-F-C") Poultry Chiller, one of four in operation at Holly Farms Poultry Processing Plant, Wilkesboro, North Carolina.

The continuous flow of water passes through only once, with no recirculation, and the chiller operates continuously instead of in batches.

Savings up to ¼c per pound are realized by using the Frick "C-F-C" chiller when compared to the use of ice. Figure the money saved at Holly Farms, which processes 9,600 birds an hour, using Frick refrigeration equipment exclusively.

## PROFITS ABROAD

*continued*

questions related to trade opportunities.

The U. S. Department of Commerce offers many services to U. S. exporters.

Ones it has recently made available add up to thousands of dollars worth of help—all free. Your tax money is paying for these new services, so you owe it to yourself to take advantage of them.

Perhaps the most spectacular and yet the least known is a plan to give you preliminary sales representation abroad at no cost. The Foreign Trade Missions Program sends groups of experienced businessmen abroad to investigate trade possibilities in one country at a time. As a side activity, they are willing to take along information on products you want to offer to see if they arouse interest in various nations. This won't take the place of a real sales program, but for pinpointing your area of concentration, it's a huge help. Together with other information you gather, a few concrete orders from one country may be the best evidence that it is a solid market for your goods.

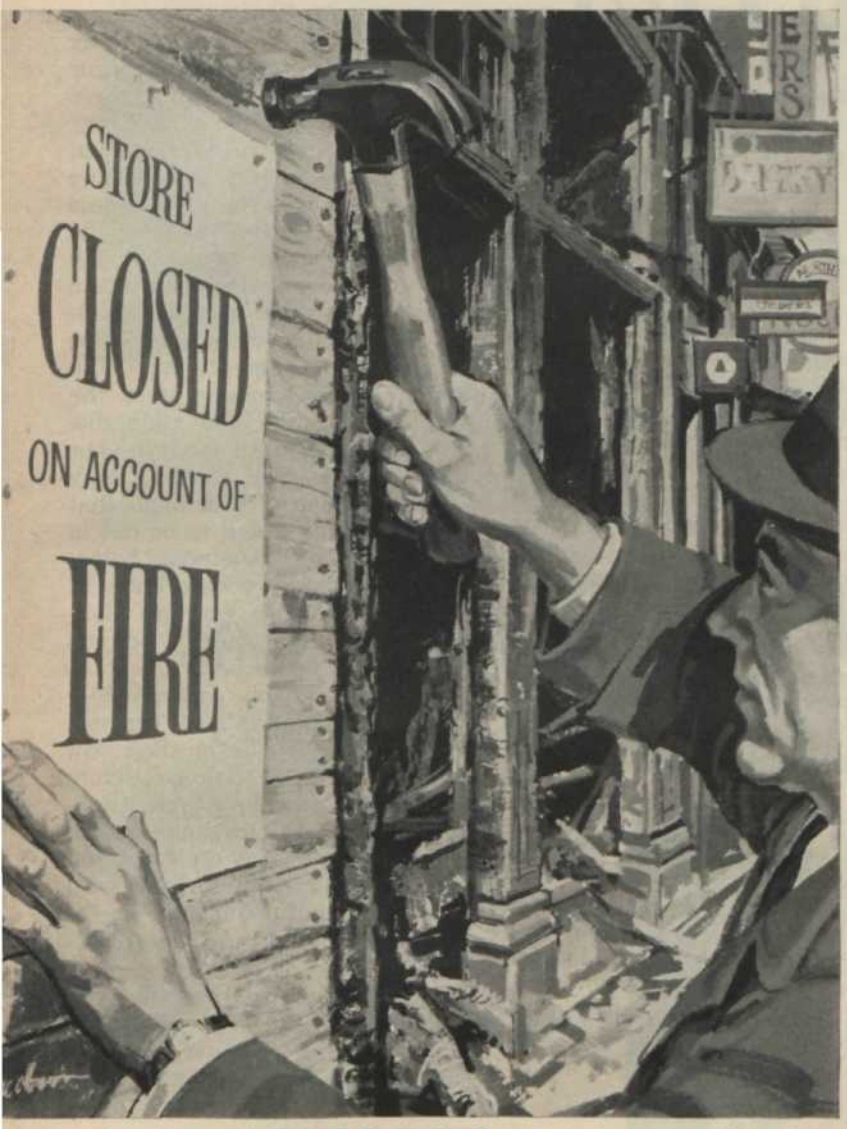
### *Picking foreign helpers*

Your overseas efforts can only be as successful as the people you choose to help you. Whether they are going to be merely import jobbers or managers of a full-scale foreign subsidiary, their caliber will be a measure of how far you can hope to progress.

There has been much loose talk to the effect that "Americans should get out and hustle for foreign business," as though a U. S. salesman can just go into Italy or Malaya and start calling on customers. Before hustling for business, American companies should do some serious hustling for first-class associates abroad.

Aside from language, there is knowledge of local distribution methods, personal contact with foreign officials, knowledge of the competition, and understanding of customer tastes and prejudices to be taken into account. Although a U. S. company is legally free to go it alone in most countries, the overwhelming advantage of teaming up with local interests is compelling even many of our largest corporations to work on a joint basis. This is true in service lines as well as manufacturing. Several U. S. advertising agencies and management

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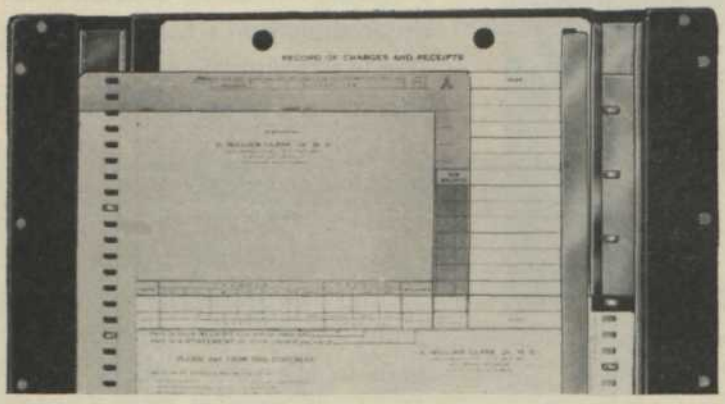
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## PROFITS ABROAD

*continued*

consultants, for example, have teamed with European counterparts to set up joint offices.

How do you go about finding good potential representatives or partners abroad? Here again, there is a way of getting free help. Every foreign embassy in Washington, D. C., has an expert in advising Americans on how to do business with his countrymen. Write to the Washington embassy of the country where you've decided to concentrate and ask for all the material available on your line of business. But add some specific questions: "Who are the leading manufacturers, the biggest wholesalers, the main distributors of our line of goods in your country?" Also ask whether they have names of firms back home that have specifically asked to be put in touch with U. S. business. Sometimes the embassy people know of foreign businessmen who are planning trips to this country, so you can meet them personally.

Later on, if you can possibly make a trip abroad to meet the men you plan to work with on their own grounds, it will pay to do so. Before leaving, send a copy of your itinerary to the Trade Development Division, Bureau of Foreign Commerce, in Washington, together with a brief statement about your line of business and what you hope to accomplish.

When you arrive overseas, you will find that the American commercial attaché in each city you visit has been alerted to your coming and has made advance preparations to help you.

You can also get sound advice overseas from organizations of businessmen called "The American Chambers of Commerce Abroad." There is one in almost every major capital and their membership can help you.

Remember that all these contacts will be most valuable if you give them plenty of advance information about your problem and enough time to work on it before you arrive.

Because the choice of foreign associates is the key decision in your whole effort, it is wise to get confidential information on the people you have in mind through one of the credit reporting agencies. Your bank can also get word of their standing in the community by making an inquiry through correspondent banks abroad.

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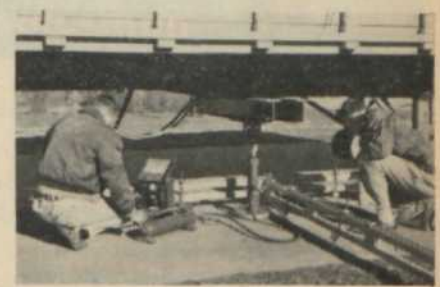
**Interstate System highways like North Carolina's route 85 pictured here owe much of their extra long life expectancy to concrete's dependable load-bearing strength—computed mathematically.**

The strength of concrete pavement is in the concrete itself—not in built-up, graded, layer construction. Compressive and flexural strengths can be measured exactly—right down to the last pound per square inch. So designs are based on *facts*—not intuition!

And because concrete acts as a beam, even one extra inch of thickness adds as much as 25% to load capacity. This same structural quality makes it possible to analyze stresses for *all* loads the pavement will carry. This makes it possible to provide pavement thick enough to carry normal traffic in *unlimited* numbers as well as the expected *less frequent* heavier loads.

That's where real economy comes through – only concrete lets engineers design highways to last 50 years and more, with upkeep costs as much as 60% lower than for asphalt. Yet concrete's first cost is moderate. There is no need to overbuild. The accuracy of today's concrete design methods provides minimum-thickness pavements for the heaviest expected traffic.

Look for concrete on many more miles of the new Interstate System and other heavy-duty highways.



**Research year after year,** in laboratories and on actual pavements as shown above, has given engineers comprehensive data on the nature and behavior of concrete under all conditions. That's why concrete pavements are designed with slide-rule accuracy—and not by empirical methods.

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"New York Life's Employee Protection Plan gives our people a lot of peace of mind..."

SAYS ELDRED ADAMS, President, Western Badge & Trophy Co., Inc., Los Angeles, Calif. "The Plan helps provide security from unexpected hospital and surgical expenses. It helps us fulfill a moral obligation to our employees."

More and more companies with four or more employees are finding New York Life's Employee Protection Plans an excellent way to help build morale, attract and keep high-grade people. These Plans offer a wide choice of coverages including: life insurance, weekly indemnity,* medical care benefits, and in most states major medical coverage.

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## PROFITS ABROAD

*continued*

be sure you talk with both manufacturers and distributors in the foreign area and hear what kind of arrangement each has to suggest. Then you can decide whether your best long-term advantage lies in:

Exporting U. S.-made goods in finished form.

Exporting parts or semiprocessed goods for completion abroad.

Setting up a plant to manufacture your own line overseas.

Licensing a foreign manufacturer to produce according to your specifications and pay you a royalty or share of the profits.

### *Adapting to foreign tastes*

Sometimes an American product can be shipped overseas just as it's made here, packaged just as it is here, advertised with a translated version of U. S. advertising copy, and go over perfectly. But that's the rare exception. Americans who are serious about selling abroad have to take the buyer's point of view at every turn.

For instance, if your product is mechanical—either for industry or for consumers—remember that complexity is a disadvantage overseas. They don't have the facilities for servicing that we regard as normal. Consequently, a French family may select a refrigerator or washing machine that looks primitive to us just because they're afraid anything fancier would have more breakdowns and take weeks to repair.

To master such fine points, more and more U. S. firms are getting started in new foreign areas by exporting, rather than setting up manufacturing plants right away. This is done even by firms that could afford to go in on a big scale. They test the market with small batches of goods—different models, different sizes, different packages.

Your foreign associate on the spot is a man to rely on for judgment. But even so, don't assume that his word is gospel. If your line is going to be an innovation, or at least an improvement, it may have to overturn established notions in the market. Only the customers can give you the final answer.

Just as an example of the need for delicate care in packaging and even in the wording used on a package, some countries favor foreign products, while others are sensitive enough to be hurt if it's implied that a foreign item is better. In Italy, for instance, there is still




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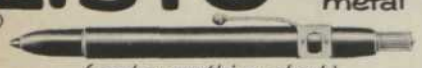
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## PROFITS ABROAD

*continued*

enough respect for foreign workmanship so that one brand of electric appliance had done well with sealed packages marked: "This was positively made by German workmen in Germany." A U. S. label of this kind might be equally effective in that country. But this approach would be fatal in France, where it would be taken as an affront to national pride.

Local prejudices must also be considered. The canned foods of Southern Europe, for example, have been notoriously unreliable. Opening a can of soup is considered an adventure. Now Campbell's believes there will be a growing market for canned soups as more housewives get outside jobs and shy away from cooking chores. But they are facing the fact that it will take years of patient sales effort, backed by scrupulous quality control, to convince these European buyers that Campbell's canned soups are dependable.

What are the keys to executive success? You'll find out in series starting on page 40

Quality is increasingly vital in all overseas selling. There was a time when foreign buyers rated U. S. goods as incomparably fine. Today there is a suspicion that this is no longer true. It stems mainly from the fact that foreign-made goods have generally improved and ours don't seem so superior by comparison.

Regardless of reason, it becomes doubly important that American goods should always be presented at their best. The use of foreign markets to get rid of rejects or outdated styles is permissible in areas where these will be better than anything else available, but they should never be sold where there is danger that they'll reflect on your whole line.

A common oversight of U. S. companies is neglecting the chance to sell part of a product abroad even if there is no demand for the whole thing. A drug preparation in semi-finished form or a component part for a piece of machinery may be profitably exportable, especially since this usually involves much lower promotional and sales costs than does selling finished goods to end users.

Adapting your goods and sales approach to local tastes doesn't mean simply doing everything as it has always been done in that market. Only by contributing something new can you make an important place for yourself. But this contribution has to correspond with some need or unfilled desire that exists in the country you want to sell.

For example, all over Europe today are hundreds of lunch counters, many of them with open-air tables, often called by the American name "Snack Bar" or "Milk Bar." These places, many of them chain-operated, are doing a tremendous business. Their popularity doesn't stem from the mere novelty or Americanism of the idea, but from a change in European habits that makes these quick-lunch restaurants a great convenience. European cities are spreading out and acquiring suburbs. More people are becoming commuters. They can no longer go home to lunch, so they implore their bosses to cut the traditionally long lunch period down to 45 minutes or an hour and then let them go home earlier in the evening. Even when there is time for the big, full meals served by regular restaurants, many of these people now prefer a lighter lunch that doesn't have to be slept off with a siesta.

Such changes in the living pattern give alert businessmen opportunities for important breakthroughs. The trend to suburban living, more employment of married women, millions of people trading in their bicycles for automobiles, small workshops giving way to big production lines, workers with more money and more leisure time looking for ways to invest and amuse themselves—each of these revolutions overseas affects hundreds of industries, opening opportunities for companies both here and there. Most Americans can share in the export boom that is now shaping up.

The way to start is by starting. Just because foreign markets are farther away, they inspire more dawdling and procrastination than nearby customers. But their money is just as good; the profits they offer are often better.

—CHARLES A. CERAMI

**REPRINTS** *of "Three Steps to Profits Abroad" may be obtained for 15 cents a copy or $10.15 per 100 postpaid from Nation's Business, 1615 H Street N. W., Washington 6, D. C. Please enclose remittance.*

*continued from page 43*

slide film of product demonstrations, recordings of presentation talks, books and folders and suggested training quizzes—so that all the necessary sales information can be passed along accurately to the distributor's salesman.

Only so much can be said about salesmanship in general.

The salesman's job and training will vary according to differences in products, customers, territories and companies.

Today a sales manager's first task is to analyze the job his salesmen have to do. From this, he can set up a profile of the kind of men he needs. Full realization of the changed nature of a selling job may require changes in selection, training and supervision.

Specialized techniques are being developed for specialized fields, among them:

- Mass marketing outlets.
- The drug field.
- Retail outlets of department and specialty stores.
- Industrial companies.

***Mass marketing outlets***

"Back of the kind of products which become national sales leaders," says Howard Wilson, director of marketing for the National Biscuit Company, "must be a marketing program which begins with research to find out what the customer wants."

Through its 2,860 salesmen and 750 sales executives and supervisors, Nabisco is presenting a sales service which provides marketing information the retailer can use to increase the productivity of shelf space.

This information is based on nationwide market tests. These tests are used to compute, for various products, the productivity per row on the retail shelf. From it the retailer can compute the profit each item brings in. Data compiled from the tests, for example, might point out the 25 sales leaders among 400 products. With this information, it is possible for the operator to concentrate on profitable items.

In general, the studies have pointed out the inadvisability of carrying extensive duplications of items. They have also supplied data which show how to set up displays that make items additionally productive.

As executed, the survey lets the chips fall where they will. If it





# How come a car wash uses a postage meter?

First, postage protection. "Been broken into twice, and the only things taken were cigarettes and postage stamps."

Second, mail promotion. "Mr. Magic" buys local lists of new car owners, and mails each one a form letter offering a free car wash—gets 70% return! A second letter follows, asking how they liked the service, and offering a second wash at half-price. Result: a steady clientele.

And about 100 invoices a week go out. So the little DM desk model postage meter helps a lot.

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want to buy. Your postage in the meter is always protected from loss, damage, misuse; and is automatically accounted for on visible registers.

Metered mail also needs less handling at the postoffice, can often make earlier trains and planes.

No minimum mail is required for a meter. Ask the nearest Pitney-Bowes office for a demonstration; without obligation. Or send coupon for free illustrated booklet.

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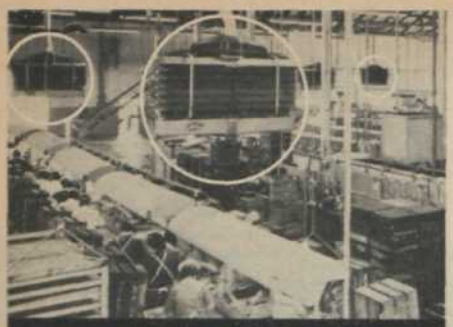
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## TO SELL TODAY

*continued*

shows Nabisco products to be slow sellers, these are taken out of the company's line.

In addition to the survey, the salesmen provide a variety of other merchandising services; for example, they arrange to build the most advantageous special displays.

"It's the manufacturer's responsibility to help everyone he can—not just by selling merchandise but by moving merchandise as well," says Mr. Wilson.

He adds that retailers large and small have applied the plan not only to food, but to other lines as well. Thus he feels that this new departure will have sweeping effects on marketing in general.

The salesman is constantly finding himself involved in new marketing functions as supermarket-type outlets—originally developed in the food field—increase in size and grow more complex. Whether an independent or a chain store, the local unit is, for the most part, getting bigger and taking on new lines.

Examples are the Grand-Way Discount Centers (Grand Union) which carry 7,000 food items and 30,000 nonfood items: apparel for both sexes and all ages; housewares, paints and hardware; sporting goods and cameras; outdoor and unpainted furniture; appliances, luggage and a variety of minor lines. Each line has its own buyer—a specialist not only in the products he handles but in the particular methods of the mass marketing outlet. So the salesman who calls on him must be a man who is sharp in both.

Although some of the other chains have not adopted this expanded one-stop shopping principle, a large share of the independents have. Furthermore, the mass marketing, self-service pattern is spreading, with lines criss-crossing everywhere.

This has shifted the emphasis in selling to mass markets. Formerly two types of salesmen handled this business:

**1.** *The man who sold to a buying committee.* Today the tendency is to get away from the buying committee and turn over the purchasing to individual buyers. Today's diversification demands buyers of high marketing skills, and the salesman who works with them must make a presentation based on real profit-producing information.

**2.** *The local service salesman.* This fellow used to fill the racks. Today, he must be a marketing researcher, jack-of-all-trades around the display, a merchandising consultant to the store manager and a sharp-eyed observer who can pass back pertinent tips to the company.

For example, here are a few of the duties in which Nicholas J. Simon, Jr., sales training manager for McCormick and Company, Baltimore, instructs the men who sell the company's spices, condiments and extracts to retail outlets:

1. See to the setting up and maintenance of specially designed display racks for the company's products.

2. Go into the back room and get whatever is needed for the display.

3. Clean up the rack at regular intervals—using an ostrich-feather duster if necessary.

4. Conduct marketing research in each territory and vary the contents of the racks according to such local factors as nationality traits or the season. When housewives are canning, the racks should contain, for example, three or four rows of pickling spices.

"We tailor-make the department," says Mr. Simon, "for each individual community and the particular needs of the grocer."

"Some companies think that once they've sold the store's buyer, they're finished," says W. W. Brady of the Grand Union marketing organization. "They forget, in our case for example, that there are 450 store managers. We can put a product in the warehouse, but unless the stores order it, it doesn't move.

"So manufacturers and distributors have detail men or service salesmen in the stores who check up on their products. They create a desire for their products in the stores and show the manager how to sell them." With the spread of the food pattern of merchandising to more lines of merchandise, its selling techniques are of new significance to larger areas of manufacturing.

### *The drug field*

A seepage of proprietary drugs into the mass outlets, dating from early supermarket days, has now turned into a steady flow. Drug sections are appearing in supermarkets, in discount houses, one-stop shopping centers, five and ten cent stores and variety stores.

The new trend is not limited to proprietary products; it is extending to ethical drugs as well. Ethicals are only sold on prescription but

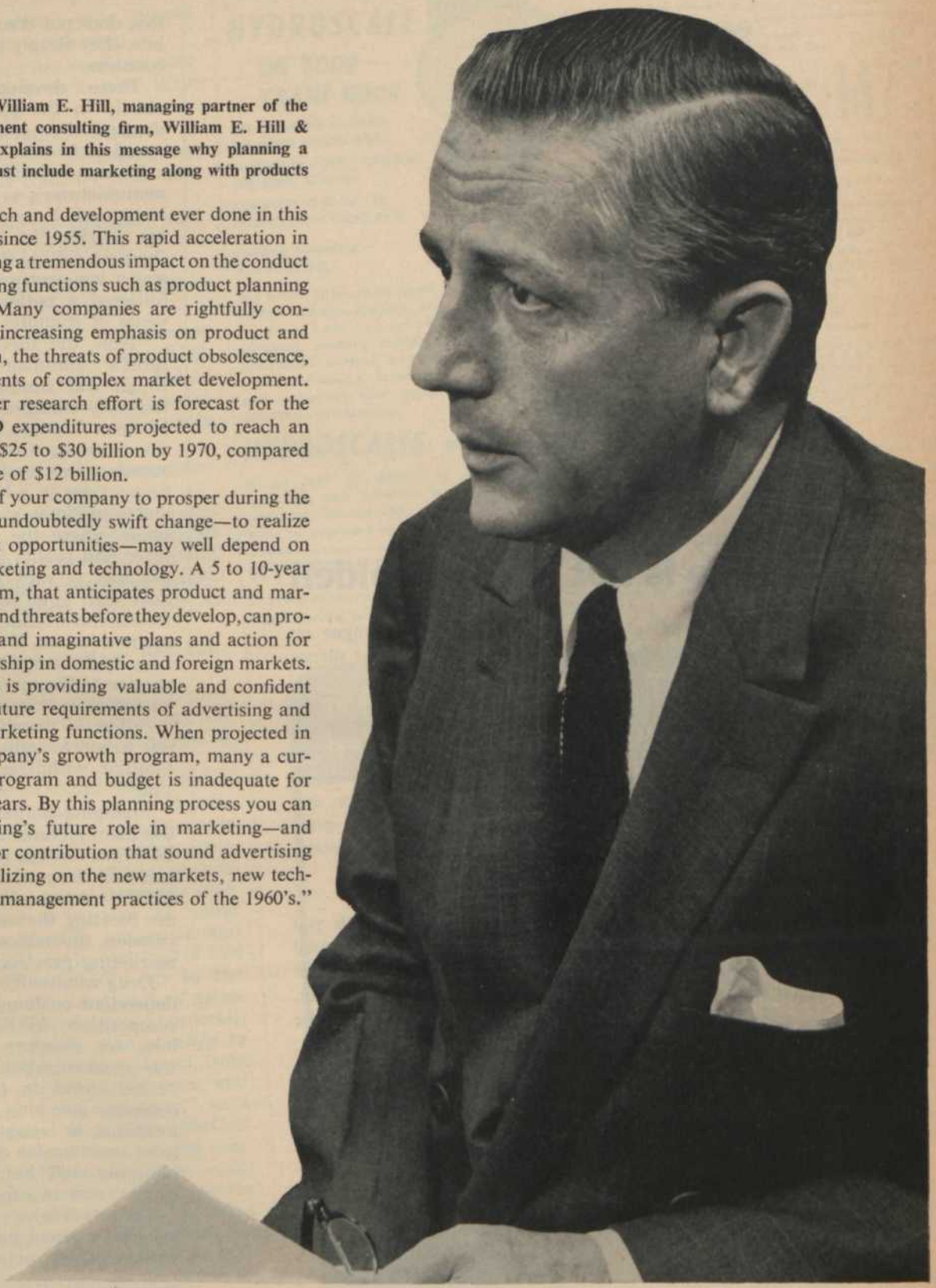
# "Long-range planning for advertising?"

**"Certainly," says William E. Hill, managing partner of the New York management consulting firm, William E. Hill & Company, and he explains in this message why planning a company's future must include marketing along with products and processes.**

"Half the research and development ever done in this country has been since 1955. This rapid acceleration in technology is having a tremendous impact on the conduct of specific marketing functions such as product planning and advertising. Many companies are rightfully concerned about the increasing emphasis on product and process innovation, the threats of product obsolescence, and the requirements of complex market development. And still a greater research effort is forecast for the 1960's, with R&D expenditures projected to reach an estimated level of $25 to $30 billion by 1970, compared with a present rate of $12 billion.

"The capacity of your company to prosper during the next ten years of undoubtedly swift change—to realize the period's profit opportunities—may well depend on your creative marketing and technology. A 5 to 10-year long-range program, that anticipates product and market opportunities and threats before they develop, can provide the advance and imaginative plans and action for competitive leadership in domestic and foreign markets.

"Such planning is providing valuable and confident insight into the future requirements of advertising and its companion marketing functions. When projected in relation to a company's growth program, many a current advertising program and budget is inadequate for the next 5 to 10 years. By this planning process you can optimize advertising's future role in marketing—and establish the major contribution that sound advertising can play in capitalizing on the new markets, new technologies and new management practices of the 1960's."



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Pete Progress

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this does not dismay the mass outlets; they simply put in prescription counters.

These developments are due chiefly to the public's widespread demand for greater convenience, speed and better prices.

To move along with the tide, the manufacturer's salesman has had to learn a whole new method of getting his merchandise into the stores. In the past, selling the drug wholesaler was a low-pressure operation which followed a pattern set over many years of friendly operations.

"Now the life of the manufacturer's salesman has become a rough and tumble struggle under radically changed conditions," says Herman Leitzow, vice president of the Schering Corporation. "In the supermarkets and discount houses, he operates in a highly competitive and sometimes even hostile atmosphere where the only criteria are price and profits in terms of return per foot of rack space. He has to deal with large lots of fast-moving merchandise under conditions that are new to him. Where brand rivalry runs high, he sells in direct proportion to the service he renders the customer, service which makes him a full-scale merchandising consultant to stores quite likely to be unfamiliar with the handling of his line."

Changing competition is bringing the manufacturer closer to the public. However, the independent druggist and drug wholesaler are much in the picture. The independents are meeting the competition by expansion, diversification and modern marketing practices.

Drug wholesalers have helped independent customers meet the new competition. McKesson and Robbins, for example, has assisted in the modernization of more than 11,000 stores in eight years. The company also aids in selecting store locations, in layout, traffic analysis, sales training for drug store clerks, planning and helping stage store events, and in other ways.

The wholesaler's salesman has to become a direct participant in this variety of new activities.

### *Department and specialty stores*

More and more, the manufacturers of basic materials which go into clothing, hosiery, carpeting, jewelry, toys and fashion items are working with and through the product manufacturer to help the retailer move

greater volumes of goods and improve his profits.

Their salesmen do practically everything at the point of sale except make change for the customer:

1. Train the retail sales people who handle their products.

2. Brief these sales staffs on new products and try to inspire their enthusiasm.

3. Explain re-order systems.

4. Check displays, packaging and shelf space and compare with competitive lines.

5. Drop in on the controller and check over-all profitability of the line.

6. Talk to the style consultant and get new product ideas.

7. See the president and discuss elements of long-term relationships.

To these duties, now regarded as normal for the manufacturer's salesman, the following are frequently added:

8. Hiring and firing demonstrators.

9. Designing and instituting plans providing special compensation for sales people pushing his products.

10. Designing cooperative advertising plans which meet legal requirements.

11. Arranging distress merchandise sales.

12. Opening or closing accounts with retail outlets, depending on their competence and willingness to uphold price lines.

Any type of retail outlet has a great deal to gain from local marketing research. Store managements should keep up with changing population movements, effects of seasonal change, special consumer preferences and a variety of other buying factors. For managers who do not realize the importance of this research, it is usually up to the manufacturers' or distributors' salesmen to demonstrate how to proceed.

"For one thing, it is possible to analyze charge accounts and from these find out the age, income and occupation of the residents," says Richard Lies, of Cresap, McCormick and Paget, management consultants. "Additional data is available from chambers of commerce and other local organizations. Added to this is the special data which the salesman collects or brings with him. Merchant and salesman can do a great deal by using such sales-producing ammunition properly."

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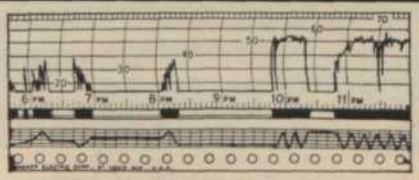
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## TO SELL TODAY

*continued*

a special complication; frequently a successful sale requires a change in the customer's product.

Atlas Powder, for example, may help a cold cream manufacturer produce a better cream by using an Atlas emulsifier. A Westinghouse salesman may show a refrigerator manufacturer how he can apply a new motor housing and reduce the cost of his product. In such cases, a salesman is calling on and applying the resources of engineering, production, research and other departments in his company.

Often the service revolves around helping the customer cut production costs. Salesmen for the Illinois Tool Works get a customer product, take it apart and see how their company's products could be used in it.

In this field, too, distribution patterns are changing: For example, the cement manufacturer used to put his product in bags. Now the contractor buys cement from central mix companies; less and less is being bought from building-supply dealers. So where the manufacturer used to sell a brand name, today the product has no identity and he sells price, service, new uses.

More and more customer companies, in their campaigns to reduce costs, are strengthening their buying departments with higher grade technical talent. Suppliers have to send out equally high-caliber technical salesmen.

So great are the demands for technical selling talent that manufacturing companies have difficulty in maintaining high standards of selling skill as well.

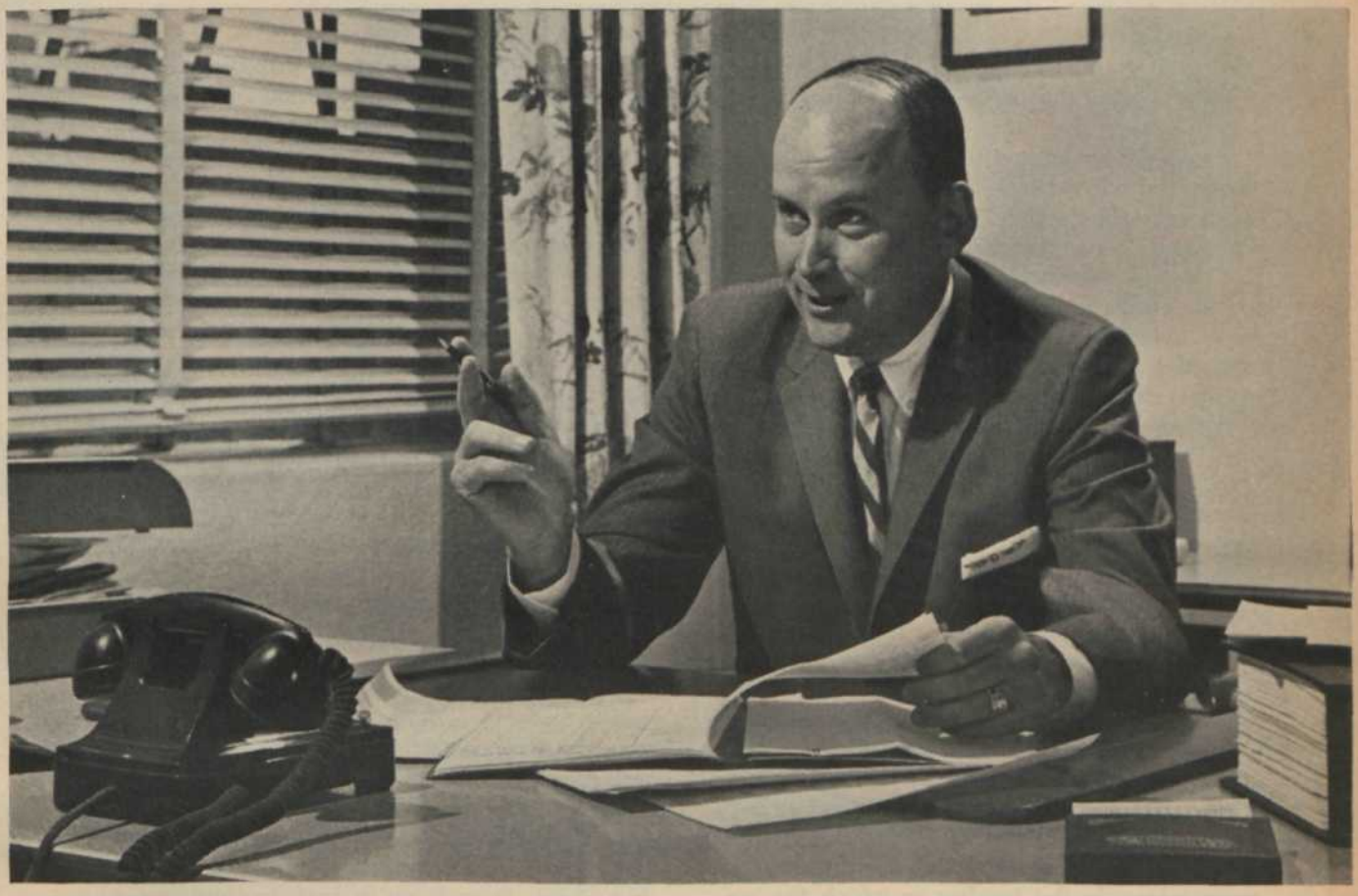
"Though technical skill is everywhere more and more essential in industrial selling," says John Sargent of Cresap, McCormick and Paget, "today's killing competition more than ever dictates high-level selling skills to go with it."

This does not mean that customer executives need to play hide-and-seek for fear of high-pressure sales tactics. As a matter of fact, a high-octane salesman might find it's suicide to sell the customer a carload of a product that only grows old and moldy in the back room.

—PHILIP GUSTAFSON

**REPRINTS** *of "How to Sell Today" may be obtained for 10 cents a copy or $7.00 per 100 postpaid from Nation's Business, 1615 H St., N. W., Washington 6, D. C. Please enclose remittance with order.*

# Long Distance pays off in extra sales



*"Telephone selling jumped our customer contacts 300%!"*

**says J. M. Durham,**
**Denver District Manager, Garlock Inc.**

"Because of the limited size of our sales staff," Mr. Durham adds, "we found that in-person contacts could be made with customers only three to four times a year. Then we began phoning between regular visits. Now we average nine or ten contacts—and our sales reflect the difference."

In selling, the number of contacts is important—for the greater the contacts, the greater the sales. Your telephone can boost both.

***Long Distance pays off! Use it now . . . for all it's worth!***

**LONG DISTANCE RATES ARE LOW**

*Here are some examples:*

| | |
|---|---|
| Washington, D.C. to Philadelphia | 65¢ |
| Cincinnati to Detroit | 85¢ |
| Nashville to Chicago | $1.15 |
| San Francisco to Salt Lake City | $1.35 |
| Tulsa, Okla. to New York | $1.70 |

*These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.*

**BELL TELEPHONE SYSTEM**

# Old remedies harm nation's health

AN EARLY LESSON in first aid teaches that unskilled handling of the patient may aggravate his injuries.

Some similar admonition should be given to those who will soon be a part of government. Economies, like people, can suffer painful complications from misguided good intentions.

This was demonstrated after the nasty economic accident of 1929. Politicians, government appointees and passing economists prescribed a heavy dosage of political remedies without even making the patient comfortable.

Among the elixirs whipped up in those days was the Walsh-Healey Act, concocted to eliminate sweatshops. This Act is still in force. Serving no other present purpose, it might as well be put to use as a warning to those who propose government nostrums to stimulate growth, relieve the infirmities of age, make work for the jobless, and build schools.

Congress passed Walsh-Healey in 1936 after the Supreme Court had declared the National Industrial Recovery Act illegal. The intention was to continue the wage, hour and child labor provisions that had been part of the NRA codes. The Act provided that manufacturers and suppliers doing business with the government must pay "not less than the prevailing minimum wages in the locality in which the materials, supplies, articles or equipment are to be manufactured or supplied under said contract."

It authorized the Secretary of Labor to set the minimum wage but it did not establish how this should be done or define what it meant by a locality. The Act was intended as a stop-gap measure until Congress could enact more comprehensive legislation. Such legislation was enacted in 1938. The Fair Labor Standards Act—popularly called the Wage-Hour Law—set standards to which all businesses must conform if they engage in interstate commerce. Many of the provisions of the Walsh-Healey Act, which bind government contractors, are inconsistent with the provisions of the Wage-Hour Law. The result is confusion, and expense, both for government —which means taxpayers—and for those who take government contracts.

Since the law provides no definite guides for the setting of minimum wages, various Secretaries of Labor have used various methods to reach a decision. As a result, although the national minimum wage has been $1, the minimum in industries with government contracts has been set as high as $2.846.

Because a "locality" is not defined, Secretaries frequently have established a whole industry as a locality, although plants were in different parts of the country with different local customs, different working conditions, different employment practices, and different wage levels.

Part of the difficulty is that the Secretary must apply to a dynamic economy a law enacted in depression. A plant with a missile or space contract may require such unusual skills that no one else in the local community is doing similar work.

Changes in skill are not confined to defense industries. They go on in medicine and education as well as in all fields of private activity.

The federal legislative process is not geared to this kind of change. Laws once passed continue in effect long after their original purpose is forgotten and their original goals accomplished. Federal action taken now to stimulate growth, improve education or help old people can easily prove a costly encumbrance tomorrow. Some federal official, like the Secretary of Labor today, may perforce be fighting sweatshops when the country's real need is to encourage the mass ingenuity that results when people are left free to solve their own problems.




# Discover the only records system that puts all the facts you need in front of you, at the touch of a button!

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No longer must you guess at trends and usage . . . lose valuable time with old-fashioned vertical card files and other manual systems.

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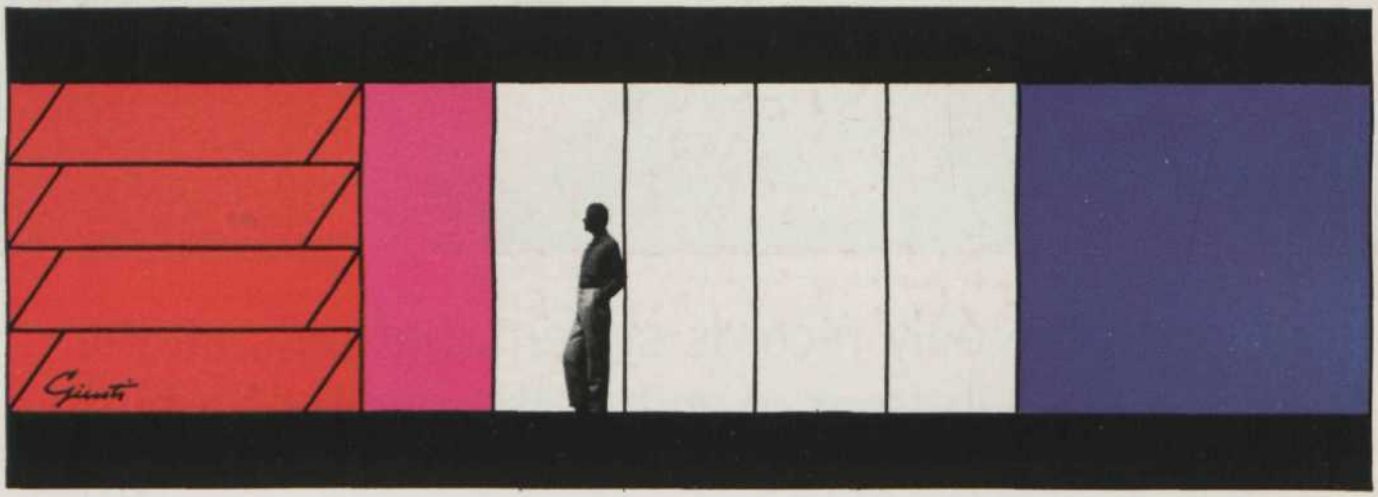
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## *HIGH-SPEED Electro* KARDEX®

*by* **Remington Rand Systems** DIVISION OF SPERRY RAND CORPORATION
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## Olin Aluminum works wonders with windows...how about your product

Ten years ago, only one window in 20 was made of aluminum. Today, it's almost one out of every two for this glistening material that doesn't rust, rot or swell. If you've ever tried to paint or restore a window...you'll know why. Esthetically, too–trim, strong extrusions of aluminum enhance any design. More and more aluminum is going into homes–into windows, awnings and canopies, siding, gutters, railings and roofs. More and more Olin Aluminum extrusions and sheet are going to fabricators of aluminum building products who conscientiously consider their source of supply. Write for Olin Aluminum's free booklet, "Aluminum for Architecture."



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